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# Office of Inspector General FY 1989 Annual Plan

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October 1, 1988 - September 30, 1989



Office of  
Inspector General





**OFFICE OF INSPECTOR GENERAL**

**FY 1989 ANNUAL PLAN**

**October 1, 1988 - September 30, 1989**



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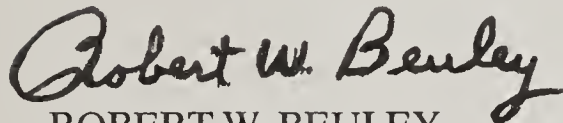




## FOREWORD

From its earliest beginnings until now, the Office of Inspector General (OIG), U.S. Department of Agriculture (USDA), has produced some very significant results. When OIG first started 26 years ago with a staff of 850 people, it identified \$8.8 million in recoveries, fines, savings or other monetary results. In 1988, with no increase in staff, it identified \$302.8 million in monetary results.

These results have been obtained through effective planning and concentrating on the major areas for risk in the Department's programs. Last year, and again this year, we have continued our strategic planning process for audits and investigations. Under our strategic planning process, we have assessed each program area and its susceptibility to fraud, waste, and abuse. We will continue to address our efforts toward areas where large dollar losses could occur or to areas concerning public health. The strategic plan is a dynamic document that will change as new vulnerabilities and priorities develop. We welcome the reader's comments on this Plan and suggestions of areas to which the OIG might give greater attention in future audit and investigative activities.

A handwritten signature in black ink, reading "Robert W. Beuley". The signature is written in a cursive, flowing style.

ROBERT W. BEULEY  
INSPECTOR GENERAL



## THE OIG MISSION

This year marks the 26th anniversary of the establishment of the OIG. When it was formed by the Secretary in 1962 USDA was the first civilian agency to have an OIG. The Office was created, in part, by absorbing the audit and investigative functions of other USDA agencies. In 1978 the Inspector General Act (P.L. 95-452) established the current legislated Office.

The Act gives the Inspector General responsibility for audits and investigations of the Department's programs and operations. It also places upon the OIG the responsibility (1) to review existing and proposed regulations and legislation and make appropriate recommendations, and (2) to be involved in activities that promote economy, efficiency, and effectiveness or that prevent and detect fraud, waste, and abuse in programs and operations, both within USDA and in non-Federal entities that receive USDA assistance. The Act requires the Inspector General to report to the Secretary and Congress on the activities of the Department semiannually at March 31 and September 30 each year.

## OVERALL OBJECTIVE

OIG's overall objective is to prevent and detect fraud, waste, and abuse in USDA programs. We accomplish this objective by use of audits and investigations in:

- Reacting to allegations of fraud, waste and abuse
- Using preventive audit approaches such as review of systems under development and oversight approaches
- Evaluating the adequacy and vulnerability of management and program control systems
- Evaluating the adequacy of payments to recipients of large USDA payments such as insurance and deficiency payments, major loans, and retailer redemptions

OIG gives a great deal of emphasis to service to management at all levels of the Department by briefing senior Department officials on the results of major audits and investigations. OIG also participates with the President's Council on Integrity and Efficiency (PCIE), of which the Inspector General is a member, in multi-agency projects where interests are similar.

## THE AUDIT PROCESS

OIG accountants and auditors examine financial statements. In addition they review agency compliance with applicable laws and regulations, economy and efficiency of operations, and effectiveness in achieving program results.

OIG audits are conducted through six regional offices and the Financial Management Staff located in Kansas City. In addition, OIG contracts with Certified Public Accountants for some audits and oversees the quality of the work of auditors under contract to other agencies of the Department. Approximately 32 percent of OIG staff time is devoted to the conduct of audits that are designed to impact on agency management which involves more than one region. The balance of OIG staff time is devoted to audits conducted within one region, audits conducted pursuant to the Single Audit Act, agency requests and quality control over non-Federal audits.

OIG auditors conduct their work in accordance with the "Government Auditing Standards - Standards for Audit of Governmental Organizations, Programs, Activities and Functions" (Yellow Book) published by the General Accounting Office (GAO), the American Institute of Certified Public Accountants (AICPA) Professional Standards, and AICPA Statements on Auditing Standards. OIG auditors periodically receive training in these areas. OIG has established the OIG Audit Academy, which will provide professional training to all newly hired OIG auditors.

The audit process includes:

- Development of an Audit Approach

Development of an audit approach includes the reasons for selection of the audit subject, overall audit objectives and scope, locations to be audited, OIG staff who will perform the audit, staff days needed, other resources required (specialists such as timber or banking expertise) to perform the audit, and benefits anticipated from the audit. If an audit was not included in the OIG Annual Plan at the beginning of the fiscal year, it is added to the Plan before commencement of the audit.

- Audit Notification

OIG notifies the appropriate USDA agency or office of its intent to begin an audit and requests an entrance conference.

- Entrance Conference

At the initial conference, OIG staff advise agency officials of the purpose and objectives of the audit, its scope, and the general methodology and procedures to be followed.



- Initial Survey Work

The audit process starts with information gathering and problem identification. Some jobs stop at this survey stage. If the survey discloses no problems sufficiently serious to justify a detailed audit, or if the survey reveals information sufficient to permit the auditors to conclude that further investigation would be unnecessary and that what the auditors have learned can be documented and detailed to agency officials after the survey so that corrective action can be taken, the survey ends, and no audit is scheduled. An important factor in this decision is the auditor's assessment of the adequacy of internal controls and of the strength of agency management's commitment to take corrective action.

- Field Audit Work

If the survey indicates the need to learn more about conditions noted during the survey, detailed audit testing and interviewing are undertaken.

- Discussion Draft Report

When field work is complete, draft findings and recommendations are prepared and shared with agency officials.

- Exit Conference

At the conclusion of an audit, a formal conference is held with the agency's principal officials to present audit results. This provides an opportunity for management to confirm information, to ask questions, and to provide any necessary clarifying data.

- Official Draft

After the exit discussion, any necessary changes to the draft report are made and the official draft is then presented to the agency for final written comments.

- Final Report

A final report which contains the agency's written response is prepared and the final audit report is issued.

- Audit Resolution

Public Law 96-304, the Supplemental Appropriations and Rescission Act of 1980, and the Office of Management and Budget (OMB) Circular A-50 require that all audit findings and recommendations be resolved within a maximum of 6 months from the date of report issuance. If resolution is not reached within this time period, the Congress must be notified.<sup>4</sup> This notification is accomplished through the OIG Semiannual Report.

## THE INVESTIGATIVE PROCESS

OIG investigators, like OIG auditors and accountants, closely examine events, actions, Departmental programs, recipients of those programs, and related government employees and others who are involved in them for individual acts or trends of fraud, waste, and abuse.

Most investigations are begun as a result of receipt of information directly related to allegations of fraud, waste, abuse, or mismanagement, and violations of law, rules, or regulations. Information comes from many sources, including audits, formal agency requests for investigation, the public, employees, the Congress, program recipients and anonymous complaints.

Investigations within OIG are carried out through a headquarters staff and seven regional staffs. OIG investigations are conducted by trained criminal investigators who must conduct their activities in accordance with Federal legal requirements and U.S. Department of Justice regulations.

Although initiation of an OIG investigation within the Department is not routinely accompanied by an entrance conference, agency officials are usually notified by a Case Opening Memorandum when the investigation begins. Results of the investigation are provided to agency management and senior Department officials. Investigative results that establish criminal or civil violations of law are provided to the Department of Justice. Administrative actions taken as a result of OIG investigations are reviewed to ensure that proper corrective measures are taken to correct current problems and to prevent their reoccurrence.

## THE OIG PLANNING PROCESS

USDA has an annual program level of more than \$88 billion of which more than \$22 billion is for loan disbursements. The Department has more than 30 major agencies with more than 300 programs, 3 major computer centers, and many thousand auditable program entities. USDA programs are delivered in every State, county, and city in the nation and in many other parts of the world by more than 100,000 Federal employees and many thousands of non-Federal government employees.

The OIG has a staff of 850 to carry out its mission. Planning is critical to the success of its mission. In 1987, we initiated the OIG strategic planning process, the ultimate goal of which is to ensure that, over time, audit and investigative coverage of all USDA programs and activities is provided. The planning process for FY 1988 and FY 1989 was begun by:

- Identifying highly vulnerable USDA programs and activities and developing long-term strategies to cover them
- Computerizing the audit planning process and ranking each audit proposal according to priority
- Establishing investigative priorities which are the thorough and timely investigation of threats to the health and safety of the public; employee integrity issues involving allegations of bribery, embezzlement or theft, and collusion with program participants; and fraud in the loan and benefit programs
- Coordinating and integrating the audit and investigative plans for the fiscal year

Twenty strategic areas were identified in 1987. This year these strategic areas have been consolidated into fourteen strategies. Profiles of the agencies, programs and activities within the strategic areas were developed. The profiles include the operational environment; applicable laws, regulations, and other instructions; Congressional interest; and previous OIG work in the area. Within each strategic area are subactivities to be addressed. Strategies with specific goals, objectives, and actions and associated time-frames have been developed for each strategic area. With this framework, future OIG annual audit and investigative plans will be developed so that the highly vulnerable areas identified will be covered.



In addition to developing strategies, OIG solicited the opinions of agency heads within USDA for suggestions and recommendations for the OIG plan for FY 1989. In developing the Annual Plan, OIG considered:

- Statutory and regulatory requirements
- Adequacy of internal control systems
- Newness, changed conditions, or sensitivity of the organization, program activity, or function
- Current and potential dollar magnitude
- Extent of Federal participation in terms of resources or regulatory authority
- Management needs to be met
- Prior audit history
- Prior investigation history
- Timeliness, reliability and scope of audits performed by others, results of other evaluations
- Availability of audit and investigative resources

The OIG was also mindful of the goals and initiatives expressed in the President's Management Report for Fiscal Year 1989 and its requirements for USDA programs and activities.

## **OIG STRATEGIES**

The OIG Strategies at this time are:

- FARM PROGRAMS
- MARKET DEVELOPMENT
- DIRECT & INSURED LOANS
- GUARANTEED LOANS
- ENTITLEMENT PROGRAMS
- FOREST SERVICE
- FINANCIAL MANAGEMENT AND MULTI-AGENCY ACCOUNTING AND ADP SYSTEMS
- RESEARCH AND EDUCATION
- PROCUREMENT AND CONTRACTS
- CONSUMER PROTECTION
- INSURANCE
- SOIL CONSERVATION SERVICE
- INTEGRITY OF USDA PERSONNEL
- PROGRAM COMPLIANCE, ECONOMY, AND EFFICIENCY

Examples of audit and investigative work planned for FY 1989 are included in the discussion of each Strategy. More complete listings are provided in the back of this document.



## FARM PROGRAMS

### AUDIT

The Farm Programs audit strategy covers production adjustment, price support, and conservation programs administered by the Agricultural Stabilization and Conservation Service (ASCS) and funded primarily through the Commodity Credit Corporation (CCC). Immense sums of Federal money are paid to thousands of American citizens every year under these programs, and the incentives for fraud and theft are great. Production adjustment is designed to protect and improve farm income and keep production in line with anticipated needs. It is accomplished through establishment of bases, allotments, and quotas and the use of deficiency payments to compensate producers for the difference between target prices and market prices. In some years diversion payments are also made to compensate farmers for reducing planted program crop acres in excess of required acreage reductions. Prices are supported through loans, purchases, payments, or a combination of these methods to help assure that producers receive minimum prices. The most significant conservation program is one in which up to 45 million acres of erodible land are protected under the Conservation Reserve Program (CRP).

This year, OIG continued to follow its basic Farm Program audit strategy by focusing on (1) the adequacy of procedures and controls over program implementation, (2) compliance with program requirements, and (3) the accuracy and reconciliation of program payments. During FY 1988 we evaluated controls over rice and cotton marketing loans introduced by the Food Security Act (FSA) of 1985 whereby loans could be repaid at about half the amount for which they were disbursed. We also audited 33 large farming operations, each of which received over \$500,000 in 1986 crop year payments. We evaluated compliance with the \$250,000 payment limitation effective with 1987 crop payments and continued to review compliance with FSA \$50,000 payment limitation provisions. During FY 1988 OIG also evaluated the security and repayment of commodity loans, commodity procurements, producer compliance with Dairy Termination Program contracts, price support programs for sugar and tobacco, compliance with CRP contracts, controls over bases and yields, and establishment of deficiency payment rates based on average market prices.

The Agricultural Reconciliation Act of 1987 amended the 1985 FSA with respect to the application of payment limitation restrictions to agricultural production adjustment, price support, and conservation programs effective for 1989 and 1990 crop years. Therefore, for FY 1989, OIG plans early reviews of ASCS' determinations of "persons" eligible for payments, subject to \$50,000 and \$250,000 limitations, under 1989 farm programs. OIG also reviewed and commented on proposed regulations implementing the Disaster Assistance Act of 1988 and plans to audit disaster payment and emergency feed assistance programs as they are implemented so that corrective actions can be taken early in the process before excessive payments are made. Other audits planned for FY 1989 include Land and Producer Eligibility under CRP, Program Compliance Systems Follow-up, Monitoring the Pilot Program on Commodity Futures Trading, Crop Eligibility for ASCS Farm Programs, and Reviews of State and County Operations. The staff days planned in this area in FY 1989 are 7,770.

## INVESTIGATIONS

The objective of the Farm Programs Investigations strategy is to maintain the integrity of ASCS and Farmers Home Administration (FmHA) loan programs by ensuring proper coverage and prompt response to significant allegations of fraud. Of particular concern is the integrity of the Government's security for loans made in these programs. Investigations will continue to maintain a close working relationship with FmHA and ASCS offices at the regional and national level to ensure the timely referral and investigation of Farm Program cases and to create a mutual understanding of the priorities, resources and needs of each agency.

As a result of the significant number of referrals involving the conversion of collateral mortgaged to ASCS and FmHA, Investigations will continue to base scheduling determinations on the likelihood of criminal prosecution and large civil recovery. Investigations will make early contact with the appropriate U.S. Attorney and Office of General Counsel representatives to determine criminal prosecutive appeal and the likelihood of significant monetary recovery. Investigations will refer cases which are not scheduled for investigation back to the agencies for appropriate administrative action.

Conversion of commodities securing farm-stored CCC loans has traditionally been our major concern in ASCS programs. In addition to these cases, a significant number of FY 1989 ASCS investigative staff days will be spent on investigation of producers who have employed a "scheme or device" to avoid annual crop support subsidy payment limitations. The majority of investigative staff days for FmHA cases will be spent on the disposition of mortgaged collateral by Farm Program borrowers as well as violations of the Rural Housing Program.

In FY 1988, investigations involving ASCS and FmHA matters accounted for 15 and 22 percent, respectively, of available staff days. In FY 1989, these figures are projected to be 15 percent for ASCS and 25 percent for FmHA.



## MARKET DEVELOPMENT

The goal of Market Development is to enhance the marketing and distribution of agricultural products from the Nation's farms. This is achieved through a variety of programs administered by six USDA agencies (Agricultural Marketing Service (AMS), Agricultural Research Service (ARS), Agricultural Stabilization and Conservation Service (ASCS), Commodity Credit Corporation (CCC), Foreign Agricultural Service (FAS); and the Federal Grain and Inspection Service (FGIS)).

Some of these programs are specifically designed to increase foreign exports and the balance of trade. USDA administers long-term programs to finance sales of agricultural commodities to foreign countries, develop new world markets, and make donated foods available to underdeveloped countries. The focal point for carrying out these programs has been the FAS under Titles I, II and III of the Agricultural Trade Development and Assistance Act (P.L. 480). The CCC provides financing and commodities, and the ASCS provides personnel and support functions.

In Fiscal Year 1988, we concluded major audits involving reviews of the total cost of red meat sales to Brazil, implementation of the Food for Progress Act, the billion-dollar Targeted Export Assistance (TEA) Program and, the end-user designation of imported tobacco.

The TEA Program was established by Congress in response to the unfair or adverse foreign marketing practices. This new program is based upon agreements between FAS and private sector participants consisting of U.S. trade associations, and State marketing or private nonprofit organizations. It is funded through the issuance of CCC certificates. We identified significant management and operational deficiencies which were subsequently substantiated by the General Accounting Office.

Our review disclosed that the accounting records for two of the eight participants reviewed had been maintained in such a manner as to render them unreliable for audit purposes. Also, they did not present fairly the results of the participant's financial operations in the Program. Participants' contributions recorded at six of the eight participants reviewed could not be readily verified, and there was no assurance that the TEA funding matching efforts would be met. This condition occurred partially because foreign third party participants and the primary participants did not have an agreement for third party contributions which would allow the U.S. Government to review and verify the contributions. There was little documentation to support the source of a total of \$22,894,183 in third party contributions, and they may not actually be available for use in meeting TEA objectives.

Another program, Food for Progress (FFP), is intended to use the food resources of the U.S. to support countries that have made commitments to introduce or expand free enterprise elements in their agricultural economics through changes in commodity pricing, marketing, input availability, distribution, and private sector involvement. The major intent of the authorizing legislation was to enable third-world countries to become trading partners instead of primarily international aid recipients by helping them to achieve agricultural and food self-sufficiency. Not less than 75,000 nor more than 500,000 Metric Tons (MTs) of commodities were to be made available in each of the fiscal years 1986 through 1990 from Section 416 and Title I CCC commodities.

We found that the FFP had not met its legislated minimum activity levels or reporting requirements. The annual minimum requirement of 75,000 MTs of Section 416 commodities had not been distributed nor had appropriate waivers been obtained. We attribute this to overly restrictive program requirements. Also, the FFP lacked an effective link to increased foreign agricultural production in that infrastructure improvement was not addressed. As a result, the Program may not increase rice production, transportation, and storage, thereby having little effect upon rice availability beyond the end of the agreements.

Our review of the designation of imported tobacco resulted in a major investigation. We found that tobacco products being sold and exported under U.S. Government loan guarantees were not necessarily of domestic origin. We have expanded our review to determine if the commodities being sold under U.S. Government loan guarantee programs involve similar abuses.

We began two additional audits, a special audit of a TEA participant, and a special review of the FGIS wheat protein determination process. Over \$1 million in questionable claims for reimbursement in the TEA program was identified. The wheat protein determination process was found to be operating satisfactorily.

For FY 1989, we have planned 29 audits, totaling 3,350 staff days. Audit areas include foreign complaints on U.S. grain exports, USDA foreign debt management, the USDA Technical Office for International Trade, Office of International Cooperation and Development's involvement with the P.L. 480 programs.

## **DIRECT AND INSURED LOANS**

In FY 1988 OIG performed major reviews of direct and insured loan programs including accounting for loan security property, manufactured housing, Farmers Home Administration (FmHA) nationwide problems, accounting for reserves, operations of the Rural Rental Housing Programs, construction of Rural Housing projects, and controls over rental assistance and interest credit.



Review of cash and debt management activities was a significant nationwide effort which revealed that FmHA needs to tighten its policies on defaulted Rural Housing loans and improve its management of inventory properties. In monitoring FmHA's implementation of the Debt Restructuring Act provisions, OIG provided early assistance to the Department by evaluating and commenting on proposed regulations and by monitoring FmHA's efforts to prepare for nationwide implementation of the program. Our audit of accounting for loan security property disclosed undersecured loans and inadequate servicing of loans. An audit of FmHA problems was also initiated based on exception listings generated at the FmHA Finance Office which identified potential loan servicing problems nationwide.

For FY 1989, OIG will continue its nationwide review of FmHA problems. We will also continue our review of the implementation of the debt restructuring provisions of the Agricultural Credit Act of 1987. This audit is intended to provide timely identification of weaknesses or potential problems in procedures and internal controls as FmHA implements the new regulations. We plan two audits in the Rural Rental Housing Program covering rental assistance and interest credit, and reserve and operating funds. Audits are proposed in the Rural Electrification Administration to determine if program funds are secure and the Government's interests are protected and to evaluate the use and effectiveness of the agency's field accountants.

## **GUARANTEED LOANS**

The Administration's goal is to reduce the amount of Federal Government direct loans and move to guaranteed loans. During FY 1987, three USDA agencies approved loans totaling \$10.7 billion, of which 49.5 percent, or \$5.3 billion, were guaranteed loans. As of September 30, 1987, outstanding guaranteed commitments totaled about \$9.8 billion. The two primary objectives in monitoring and reviewing guaranteed loan programs are to (1) determine whether loan-making activities are effectively carried out in compliance with program requirements and sound lending principles, and (2) evaluate the effectiveness of loan servicing activities and portfolio management. OIG carries out these objectives by performing surveys and audits in the three major USDA agencies that guarantee loans - Farmers Home Administration (FmHA), Foreign Agricultural Service (FAS), and the Rural Electrification Administration (REA).

In FY 1988, we planned major audits or surveys in FmHA of the guaranteed farm loan programs, the Interest Rate Reduction Program for Farmer Program (FP) guaranteed loans, and the guaranteed Business and Industry (B&I) loan program. We were also designated by the President's Council on Integrity and Efficiency (PCIE) as the lead agency to direct a Governmentwide review of loans guaranteed by the Departments of Agriculture, Commerce, Education, Health and Human Services, Housing and Urban Development, Transportation, and the Small Business and Veteran's Administrations.

For loan guarantees, the audits reported significant findings for each phase in the credit life cycle - - loan awarding, servicing and supervision. An audit of one REA cooperative disclosed that guaranteed loan funds would have served "non-Act" (Rural Electrification Act) consumers. The PCIE review reported substantial findings involving agencies' implementation and compliance with guaranteed loan credit management policies prescribed by the Office of Management and Budget and the Treasury Department.

In FY 1989, audits or surveys will be made of FmHA and REA guaranteed loan activities. In FmHA, we plan to follow up on the implementation of the Interest Rate Reduction Program for FP loans, review eligibility determinations for FP loans, evaluate FP guaranteed loan administrative and servicing costs, and audit B&I loan eligibility determinations, and the propriety of loan liquidation settlements. In REA, we plan to review the use of guaranteed loan funds to serve "non-Act" consumers. In addition, we will complete a second phase of the Governmentwide PCIE review which will evaluate major credit agencies' management of guaranteed loan portfolios.

## **ENTITLEMENT PROGRAMS**

### **AUDIT**

USDA administers three major entitlement programs, the Food Stamp Program (FSP), the Child Nutrition Program (CNP), and the Supplemental Food Program for Women, Infants and Children (WIC). These programs are administered by the States through agreements with the Food and Nutrition Service (FNS). The States, in turn, enter into agreements with county and project offices to deliver program benefits. OIG's Audit strategy is to focus on FNS' overall management role and the adequacy of controls and systems used to manage the entitlement programs overall.

In FY 1988, OIG Audit coverage was provided to all major programs with emphasis on (1) the FSP income and eligibility requirements (a survey is currently underway in this area), (2) abuse by vendors redeeming WIC vouchers, (3) National School Lunch Program (NSLP) operations, (4) FNS management of field office operations, (5) Commodity Credit Food Program operations administered by FNS, (6) selected non-Federal Automated Data Processing (ADP) operations, (7) administrative costs for program operation, and (8) controls over recipient claims in the FSP.

For the FY 1989 program, OIG again plans to spend a substantial portion of its resources in the entitlement programs. Our major concerns are (1) FSP income and eligibility requirements, (2) matching efforts in several large metropolitan areas to identify Federal and U.S. Postal Service employees who under-report their income, (3) reviews of security of selected non-Federal ADP systems, (4) tracking of FSP redemptions, (5) administrative costs of program operations, and (6) compliance with program regulations by grantees.



## INVESTIGATIONS

The major thrust of our effort has been the investigation of authorized retailers and unauthorized participants who purchase food stamps for cash or other items of value. Many investigations have been conducted jointly with other Federal, State, and local law enforcement and prosecutorial authorities. This results in more effective use of limited resources, and increases liaison and intelligence gathering activities. The greatest concentration of investigative effort remains in the identification and prosecution of authorized retailers, which are the indispensable link in the chain of illegal food stamp transfers.

In FY 1988, combined and coordinated investigations across the United States resulted in 487 indictments and 419 convictions for various types of food stamp fraud. In FY 1989 the resources dedicated to FSP investigations will remain at approximately the same level as FY 1988 (approximately 25 percent of available staff days). This represents the largest amount of OIG resources dedicated to any USDA program. The total time devoted to FNS programs in FY 1989 is projected to be 33 percent of available staff days.

As a result of Audit's vendor monitoring work, a number of cases have been presented to U.S. Attorneys' Offices for consideration of criminal and civil charges. Approximately 30 WIC program investigations are currently underway or will be initiated during FY 1989.

## FOREST SERVICE

### AUDIT

The Forest Service (FS) is responsible for applying sound conservation and utilization practices to the natural resources of the National Forests and grasslands. The National Forest System covers 191 million acres of public lands administered through 9 Regional offices and 661 Ranger districts. FS operational activities are numerous and diverse, encompassing the management of timber sales, fish and wildlife habitat enhancement, recreational sites, fire fighting and protection, cooperation with State and local government and private forest land owners, and forest and rangeland research. FS's FY 1988 budget was about \$2.5 billion.

Our FS audit strategy concentrates on management of the lands and natural resources of the National Forest System, the sale of National Forest timber, and the use of lands and resources for recreation. In FY 1988, OIG planned several major audits including the cost effectiveness of FS nurseries, Knutson-Vandenberg Fund balances, damage collection on defaulted timber sale contracts, internal controls over the Firewood Permit Program, and selected automated systems. Later in the year, in response to known problems, we added surveys of Timber Theft Controls in the Pacific Northwest and the Federal Excess Property Program.

In FY 1989, we will continue our efforts in the audit of Knutson-Vandenberg Fund balances, timber theft, the Excess Property Program, and development of the FS automated Billings, Accounts Receivable, and Collections System.

The FY 1989 audit plan also includes surveys and regional audits in several aspects of timber sales, land purchases, minerals and energy management, recreation management, and in administrative operations.

## **INVESTIGATIONS**

In FY 1988, Investigations devoted more resources to timber sale collusive bidding matters than in previous years. A major achievement was the successful conviction in a major FS timber sale collusive bidding case. As a result of monitoring FS referrals to the Antitrust Division of U.S. Department of Justice (DOJ), we initiated 3 investigations and are awaiting DOJ decisions and action on 4 other referrals. Requests by DOJ for OIG's assistance in these investigations will continue to have a high priority. Investigative activity in this area in FY 1989 is expected to remain at the FY 1988 level, approximately 2.5 percent of available staff days.

## **FINANCIAL MANAGEMENT AND MULTI-AGENCY ACCOUNTING AND ADP SYSTEMS**

Our major concerns in the financial management area are to ensure that multi-agency accounting systems operate in accordance with specified standards and provide accurate and reliable data, and that security and controls of the Departmental Computer Centers and the National Finance Center (NFC) are properly implemented to protect Departmental resources. We review the propriety of management and security policies relating to telecommunications, and assess whether application programs and systems are developed according to program requirements with adequate controls to ensure the integrity of data. These initiatives are accomplished through trend analyses and the prompt introduction of "best practices" or innovative approaches to cash and debt management activities within the Department; through reviews of the Departmental accounting systems, financial reports, and financial statements; and through reviews of the computer facilities that service nationwide activities by controlling processing for multi-billion dollar administrative and program operations.

Audits completed in the financial management and accounting systems area in FY 1988 included an analysis of Knutson-Vandenberg Fund balances and servicing actions for Farmers Home Administration (FmHA) Farmer Program delinquent loans; monitoring of FmHA's note sales projects, the Forest Service billing, accounts receivable, and collections at the NFC; and financial management and control in the Agricultural Research Service (ARS). These major accomplishments were enhanced by analysis of actions taken by the Department to implement a Departmentwide Financial Information System. The system, through state-of-the-art technology, will incorporate the Governmentwide Standard General Ledger concept



into USDA accounting systems and financial reporting. We also completed the annual review of the Department's compliance with the requirements of Office of Management and Budget (OMB) Circulars A-123 and A-127. In addition, during FY 1988, OIG assisted the General Accounting Office (GAO) to complete its financial statement audit of USDA agencies. We also completed an analysis of the year-end reporting from the Department's Central Accounting System maintained at the NFC.

The OIG participated in three President's Council on Integrity and Efficiency (PCIE) sponsored projects. These were reviews of the Department's compliance with the cash flow analysis requirements of the Department of Treasury, the Department's progress toward implementing all the requirements of the Prompt Payment Act, and FmHA's program operations to determine if they met OMB's credit goals and OMB and GAO standards.

In the area of ADP systems we reviewed Field office automation, telecommunications activities and Departmental Computer Center operations. OIG detected "hacker" activity using the Department's contracted telecommunications network devices. We analyzed the security over the sophisticated computerized operations utilized by the Department for future crop projections. In addition, numerous reviews were made of the Department's ongoing field office automation projects. As a part of a PCIE project on computer system integrity, we reviewed whether management controls over operating system software and security software were properly implemented and whether disk storage was being economically, efficiently, and effectively used.

In FY 1989, we will participate in two PCIE financial management projects. One, led by the USDA/OIG, involves controls over disbursements. Agencies accounting for the majority of the Government's disbursements are expected to participate in this initiative. The second project involves a review of prior years' obligations remaining in the various accounting systems. We will also participate with GAO to complete the review of the Department's FY 1988 financial statements.

Several of the Department's major administrative systems, including the Purchase Order System, Personal Property System, and the Travel System, are scheduled for significant modifications or redesign during FY 1989. We plan to monitor these efforts to assure that the systems meet user needs, provide adequate audit trails, are properly controlled, and operate in a secure environment. Each of these systems run at the NFC.

The FY 1989 audit program for ADP Systems includes reviews of the NFC Multi Virtual Storage Operating System, the management and control of USDA direct access storage devices and tape libraries, the conversion of transferred Washington Computer Center systems to the production system at the National Computer Center-Kansas City, controls over production systems, and the management of sensitive data by USDA user agencies.

## RESEARCH AND EDUCATION

The National Agricultural Research Extension and Teaching Policy Act establishes a cohesive interdisciplinary research effort to develop and transfer technology that is appropriate to the farming community. USDA is the lead agency responsible for the coordination of Federal, State and private investments in agricultural research. The research agencies of USDA include the Agricultural Research Service (ARS), the Cooperative State Research Service (CSRS), the Human Nutrition Information Service and the Economic Research Service. These agencies are inextricably linked to the technology transfer agencies and programs throughout the Department. All agencies in the Department have a role to play in improving the profitability of American agriculture. Particular support is given by the Agricultural Cooperative Service, the National Agricultural Library, the Extension Service (ES), and the World Agricultural Outlook Board.

The annual appropriation for USDA research activities exceeds \$1 billion. Research is carried out through USDA and other Government laboratories, in partnership with State Experimental Research Stations, by grants to institutions and individuals, and through cooperative agreements with private industry. The OIG Research strategy goal is to ensure that agricultural research funds are being applied with effectiveness and efficiency.

Audits in FY 1988 of the management of CSRS and ES funds by State institutions disclosed deficiencies in the financial accounting for the funds. These deficiencies included unallowable charges for indirect costs, excess charges for the employers' contribution to the retirement system, and charging costs to the wrong fiscal year. A review of the Rural Crisis Recovery Program Act of 1987 disclosed that ES had not established procedures and financial reporting requirements to ensure that States matched Federal funds and expended matching funds for the program.

For FY 1989, we have programmed audits which will involve a broad cross-section of agricultural research and education type programs and activities. We will participate in a President's Council on Integrity and Efficiency audit of Work Force Credentialing, which will include audit coverage in ARS. We will also do additional work involving the Department's Biotechnology Research efforts, and we will provide extensive coverage of the 1890 Land Grant Institutions.



## PROCUREMENT AND CONTRACTS

Procurement of and contracting for goods and services to support and augment agency operations within the USDA exceeds \$22 billion annually. The range of procurement and contracting is broad, from loan servicing and debt collection to storage of grain to purchasing ADP equipment to consulting studies and advice. Governmentwide policy direction is provided by Office of Management and Budget's Office of Federal Procurement Policy. Acquisition regulations and cost principles are promulgated and authority is delegated to Federal departments and agencies by the General Services Administration. The USDA Office of Operations provides oversight for Departmental procurement and contracting functions and delegates contracting authority to agency heads who delegate authority to heads of contracting activities who further delegate authority to contracting offices and their staffs. The National Finance Center performs the accounting and payment functions for most USDA agency procurements.

In 1987, Secretary Lyng reported to the President that procurement management was included within 22 categories of material weaknesses reported as a result of OMB Circular A-123 reviews. OIG recently conducted audits of contract administration, administrative controls over the budgeting and accountability for the use of personal services contracting, and contracting officer controls. We are also participating in a joint PCIE project. This project has two phases, the first of which is to ensure that Title 31 U.S.C. 114(b), which requires an OIG annual review of Departmental management controls over consulting services and the integrity of the data reported into the Federal Procurement Data System about consulting services contract awards, is met by all Inspectors General. The second phase is in-depth coverage of contracted advisory and assistance services (CAAS) such as the use of sole source contracts, unsolicited proposals, and contract modifications that significantly increase the scope and cost of the original contract; in-house work versus work accomplished through the use of services; the overall cost-effectiveness of CAAS contracts and the need for and usefulness of CAAS projects. The latter project is a result of disclosures within the Department of Defense of fraud, bribery, and favoritism in the use of consultants and CAAS contract awards. In FY 1989 OIG will also review an A-76 cost-benefit proposal process on vehicle management within the Department for compliance with Federal property management regulations, and relocation services. This is another PCIE project.

A major issue, debarment and suspension, will be addressed in FY 1989. In previous audits OIG has identified several companies that while debarred by other Federal agencies were awarded USDA contracts. The Federal Acquisition Regulations (FAR) set forth guidelines for debarring contractors under certain conditions. The scope of the FAR is limited. The OMB has published, and 27 other Government agencies have joined in, a final common rule on nonprocurement debarment and suspension. This rule will enable Government agencies, within certain guidelines, to debar entities such as CPAs which may not be subject to debarment now. USDA has not joined in the rule. OIG will monitor the Department's progress in developing a similar rule applicable to the USDA.

OIG audits individual contracts to assist USDA procurement offices in the negotiation, administration, and settlement of USDA contracts and subcontracts. OIG performed or arranged for audits of 53 pricing proposals, cost reimbursement contracts, or contractor claims. These audits resulted in questioned costs or potential savings of more than \$13.1 million. Also, during FY 1988, 47 contract audits were resolved or closed, resulting in savings of about \$6.7 million. We anticipate a similar amount of activity in this area in FY 1989.

## CONSUMER PROTECTION

### AUDIT

This strategy is designed to address areas in which the consumer is vulnerable, including inspection of meat and poultry products, monitoring and controlling pesticide residues, grading agricultural commodities, and labeling meat and poultry products.

Our FY 1988 annual audit plan for the consumer protection strategy included audits related to the imported meat process, an evaluation of new technologies in poultry slaughter inspection, and monitoring and controlling pesticide residues in domestic meat and poultry products. The audit resulted in significant recommendations to the agencies concerning the imported meat process and pesticide residues in domestic meat and poultry products.

Our FY 1989 annual audit plan includes major surveys or audits in the Agricultural Marketing Service (AMS), Food Safety and Inspection Service (FSIS), and Animal and Plant Health Inspection Service (APHIS) areas. In AMS, we will perform surveys relating to the agricultural commodities grading, inspection, and compliance activities of these agencies. Activities planned in the FSIS and APHIS area include a review of the nationwide identification and trace-back system requiring the identification of all swine in interstate commerce, and the applicability of such a system for cattle. In FSIS, we will review labeling policies and approvals to determine whether products are properly labeled. We will also assess the effectiveness of FSIS in ensuring that States with their own meat and poultry inspection programs apply inspection standards at least equal to those applied under Federal inspection.

### INVESTIGATIONS

Investigations has continued its close liaison contacts with FSIS, AMS, FGIS, and APHIS, as well as with the Regulatory Division of the Office of the General Counsel, in order to ensure effective coordination and cooperation in matters of regulatory enforcement. Investigative activity involving violations of the Federal Meat, Poultry, and Egg Products Inspection Acts, etc., accounted for approximately 6 percent of total workdays utilized in FY 1988, and these matters continue to receive the highest priority. It is anticipated that activity in this area will increase to about 7 percent of available workdays in FY 1989.



Additionally, it had been anticipated that a Statement of Determination, outlining the respective areas of investigative activity between OIG and APHIS, would be completed in FY 1988. However, due to a major reorganization of APHIS, this project had to be put on hold. Negotiations with the appropriate officials have been resumed and the Statement of Determination should be finalized during FY 1989.

## INSURANCE

### AUDIT

The Federal Crop Insurance Corporation (FCIC) protects farmers against crop losses due to insurable causes such as weather damage, insect infestation, or plant disease which result in crop failures. In recent years this program has changed: before, the majority of insurance had been written by agency sales and service contractors under the direct supervision of FCIC personnel; today, the majority of insurance is written by private insurance companies reinsured by FCIC.

Recently, both OIG and GAO audits have noted excessive error rates in loss adjustment and in the payment of claims to reinsured producers. The audits identified a greater potential for fraud because of the lack of FCIC oversight and economic incentives for cheating both by producers and by reinsurance personnel. Private insurance agents and claims adjusters are in a position to enter into collusive agreements with farmers to allow them to receive payments for fictitious losses and thus maintain their insurance business and annual insurance premiums. These acts on the part of the reinsurance agent, adjuster, or others associated with the crop insurance program are of major concern to OIG because of the potential for systematic program abuse.

The OIG Annual Plan for FY 1988 included reviews of various aspects of the insurance strategy such as the potato policy, reinsurance operations, compliance division operations, accuracy of reinsured company ADP systems, financial accounting interfaces, actuarial operations and controls over farm acreages, yields and units. During the year, OIG initiated work in all these areas. The audit of potato policies was a nationwide effort which identified overpayments to producers and weaknesses in the potato policy provisions and loss adjustment procedures.

In FY 1989, OIG will continue to conduct reviews of the Reinsurance Program, Compliance Division operations, reinsured company ADP systems, financial accounting interfaces, actuarial operations, and controls over farm acreage yields and units. The FY 1989 plan also includes a review of farm underwriting office operations and several reviews of FCIC computer systems which are under development.

## INVESTIGATIONS

Investigations has continued to strengthen its relationship with the FCIC Compliance Division. The Investigative Program Division (IPD) has continued its close liaison with the General Accounting Office (GAO), FCIC, and its Audit counterparts at the national level. IPD coordinated numerous GAO and Audit referrals, as well as FCIC Compliance Division reports, with OIG regional offices in order to facilitate scheduling decisions. As a result, the Compliance Division has provided timely referral of evidence of violations and investigative assistance to OIG.

In FY 1988, investigations involving FCIC matters accounted for 7 percent of available staff days. It is anticipated that this figure will decrease to approximately 5 percent in FY 1989.

## SOIL CONSERVATION SERVICE

The Soil Conservation Service (SCS) is the primary agency within USDA for providing technical assistance to individuals and organizations who are working to improve and conserve soil and water resource quantity and quality, improve agriculture, and reduce damage caused by floods and sedimentation. SCS has about 12,000 employees and over 3,000 field offices nationwide. The mission of SCS is to provide national leadership in the conservation and wise use of soil, water, and related resources through a balanced cooperative program that protects, restores, and improves those resources. Over 80 percent of SCS's \$700 million FY 1988 budget was for salaries and overhead.

Although SCS has limited responsibility for making direct program payments, the agency fulfills a critical program function for other agencies, most notably Agricultural Stabilization and Conservation Service (ASCS), that make large dollar payments to program participants. An important part of SCS's mission is to make eligibility determinations that the provisions of the Food Security Act of 1985 are met, thus permitting ASCS program participation. SCS determines if land is highly erodible, and whether or not highly erodible land is predominant in a field. SCS field employees also help farmers prepare, and then approve, conservation plans and apply conservation systems that the plans require.

The Farm Bill provisions include (1) conservation compliance, which applies to highly erodible cropland that was planted to an agricultural commodity at least 1 year during the period 1981-1985, (2) the Sodbuster program which applies to highly erodible land that was not planted to an agricultural commodity during 1981-1985, (3) the Conservation Reserve Program where owners and operators of highly erodible cropland agree to cease production on the land for a 10-year period and to devote it to conservation uses, and (4) the Swampbuster program which is aimed at discouraging the conversion of wetlands for agricultural purposes.

Due to SCS's critical role, we developed a new strategy for FY 1989 to audit compliance with the sodbuster and swampbuster provisions of the Act. We will be auditing highly erodible land conservation determinations to assess adherence to the conservation reserve program and land and producer eligibility requirements.



## **INTEGRITY OF USDA PERSONNEL**

Employee integrity continues to be major priority for OIG. During the past fiscal year our investigations resulted in 19 criminal convictions, and 57 personnel actions against current or former USDA employees for serious misconduct.

Employee misconduct matters most often involve allegations of conflict of interest, misuse of an official position in order to obtain unjustifiable benefits, and bribery.

In FY 1988, Investigations promoted a program of education and integrity awareness at both the national and field levels by participating in agency training sessions. Based on feedback from agency officials, these efforts were well received and will be continued. Additionally, proactive efforts will continue to focus on identifying instances of bribery of regulatory personnel.

In FY 1988, 11 percent of available workdays were devoted to employee misconduct investigations. Investigative activity in this area is expected to remain at approximately this level in FY 1989.

## **PROGRAM COMPLIANCE, ECONOMY, AND EFFICIENCY**

### **AUDIT**

During the course of the year, issues develop which OIG cannot anticipate during the planning process. These issues usually develop from Secretarial, agency, Congressional or OIG concerns regarding fraud, waste, or abuse of certain USDA programs or operations. In order to respond to these concerns, OIG reserves time for these unanticipated requests. In FY 1988, we used 6,300 staff days and are planning to use approximately 5,320 staff days for FY 1989. We also set aside time in our plan to monitor the resolution and closure of audit reports according to Departmental Regulation 1720-1. The purpose of this process is to ensure that OIG and the auditee agency agree in the actions needed to correct deficiencies, and the agency implements those actions. We plan to spend approximately 1,400 staff days for FY 1989.

OIG has responsibility to monitor the work of independent auditors conducting audits of State and local governments according to the Office of Management and Budget Circular A-128. Currently, OIG has assigned cognizance for 25 State agencies and/or larger local governments. In addition, OIG is the lead cognizant agency for the Statewide Single Audits of Minnesota and Pennsylvania. We spent approximately 1,800 staff days in FY 1988 and plan to spend approximately 3,010 staff days in FY 1989 carrying out this responsibility.

In addition to the reviews of Single Audit reports, OIG is responsible for ensuring that the quality of work performed by other non-Federal auditors submitting reports to USDA under program-specific requirements is adequate. Their work, like that of the Inspector General, must comply with the standards established by the Comptroller General of the United States.

When substandard work is identified within the Department, OIG refers the independent auditor to the State Boards or Licensing Authorities and the American Institute of Certified Public Accountants. In 1989, we plan to conduct a follow-up review of a prior audit to assess the quality of the reports non-Federal auditors submitted directly to program agencies. OIG plans to devote 1,275 staff days in 1989 to these activities.

## INVESTIGATIONS

In addition to the statutory authorities granted to the Inspector General, several Departmental agencies have independent and separate authority to conduct investigations or compliance reviews. The Inspector General has the responsibility to monitor these investigations and internal reviews.

The purpose of OIG oversight reviews is to ensure that Departmental agencies are administered economically and efficiently and that their operations are consistent with applicable Federal statutes, Departmental regulations, and intradepartmental jurisdictional agreements. This is accomplished by identifying weaknesses in investigations or internal review programs and making recommendations for corrective action including recommending changes to intradepartmental jurisdictional agreements involving OIG.

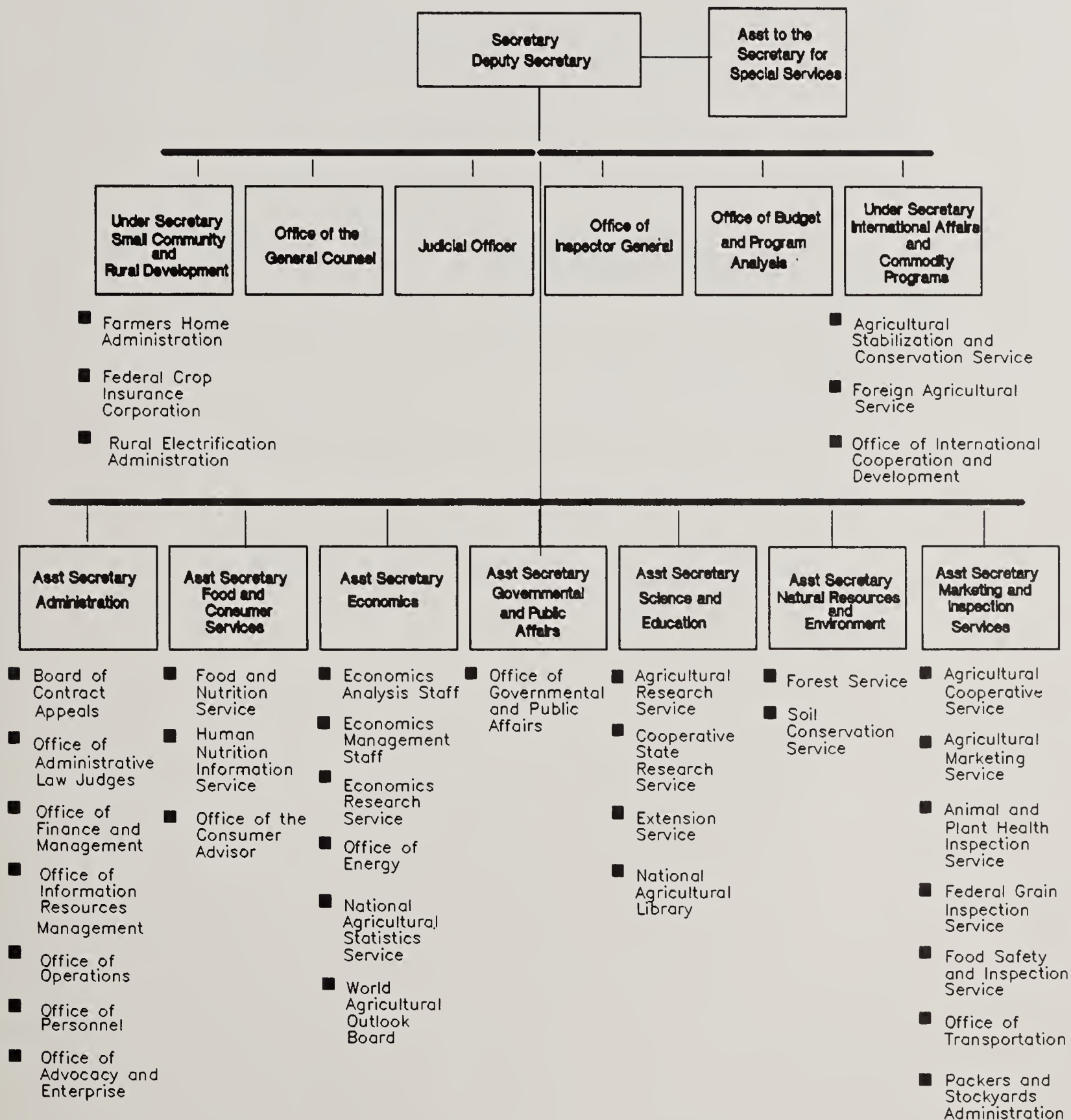
In FY 1988, OIG completed oversight reviews of the Food and Nutrition Service Compliance Branch and the USDA Forest Service Law Enforcement Group. Another oversight review of the Agricultural Marketing Service Compliance Staff was initiated and is currently in progress. In addition, during FY 1989 reviews of the compliance programs of several other USDA agencies are planned.



# CHART



# USDA ORGANIZATIONAL CHART





## INVESTIGATIVE PRIORITIES

The investigative priorities established by the Inspector General are the timely and thorough investigation of:

- Threats to the health and safety of the public
- Employee integrity issues involving allegations of bribery, embezzlement or theft, and collusion with program participants
- Fraud in the loan and benefit programs

## INVESTIGATIVE ACCOMPLISHMENTS

During FY 1988, OIG issued 1,451 investigative reports. OIG plans to issue 1,521 investigative reports in FY 1989. Investigations also had 716 indictments, 600 convictions, 46 pretrial diversions, 23 suits, and 16 judgments. The period of time to get court action on an indictment varies widely; therefore, the 716 indictments are not necessarily related to the 646 convictions and pretrial diversions. The overall conviction rate has remained at approximately 90 percent.

## INVESTIGATIVE MONETARY RESULTS

Recoveries and collections (actual) .....	\$20,575,333
Cost Avoidance (payment not made based on investigative reports) .....	6,885,358
Fines (actual) .....	3,184,033
Administrative Penalties (actual) .....	48,779,850
Restitution (actual) .....	5,888,028
Total Investigative Monetary Results .....	\$85,312,602

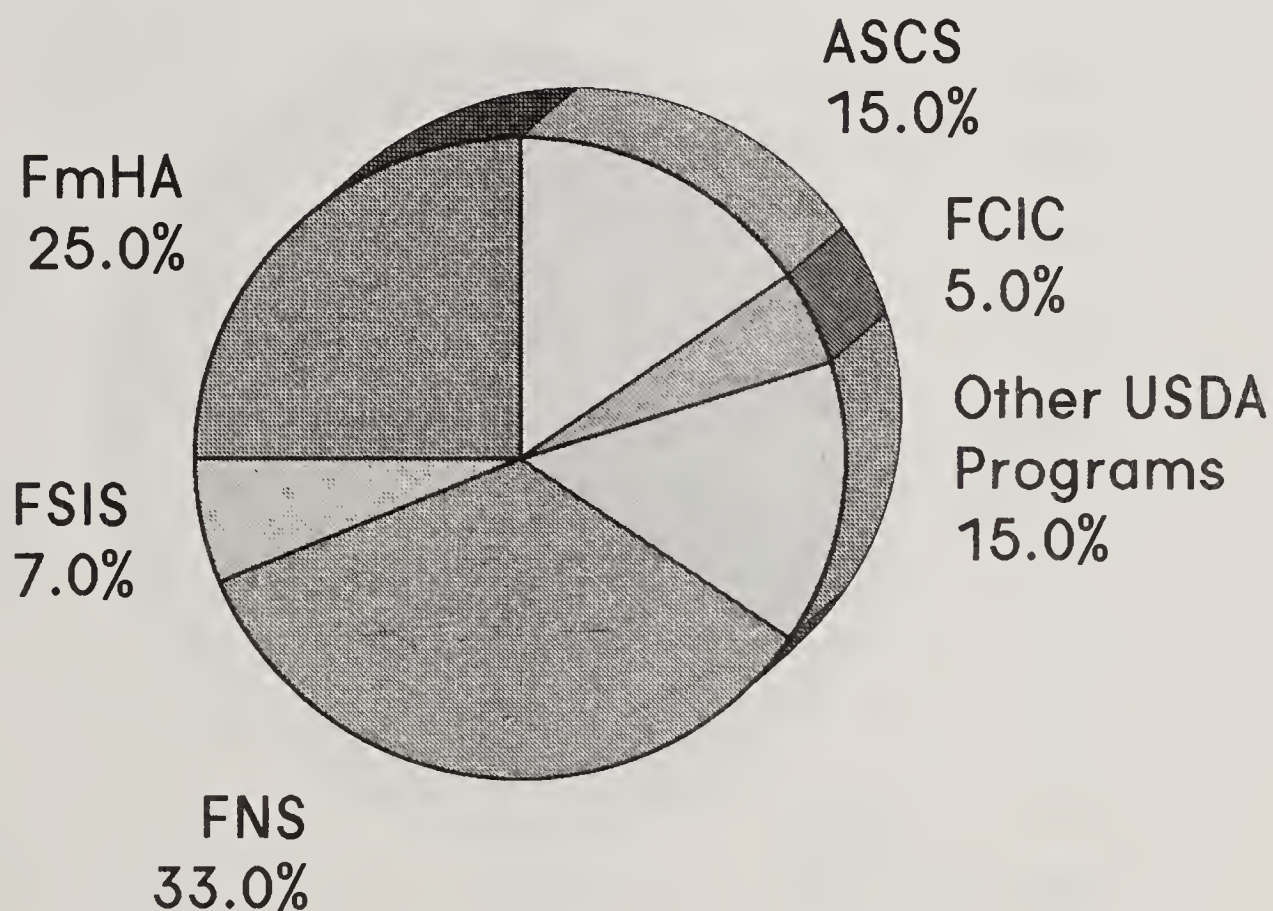
The charts that follow show the percentages of total staff days expended in FY 1988, the staff days Investigations plans to expend in FY 1989 and a chart that details the percentages of investigative time by agency during the past two fiscal years, 1987 and 1988, and the percentages of investigative time planned for FY 1989.



# OIG Investigations

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Staff Days Planned  
Fiscal Year 1989

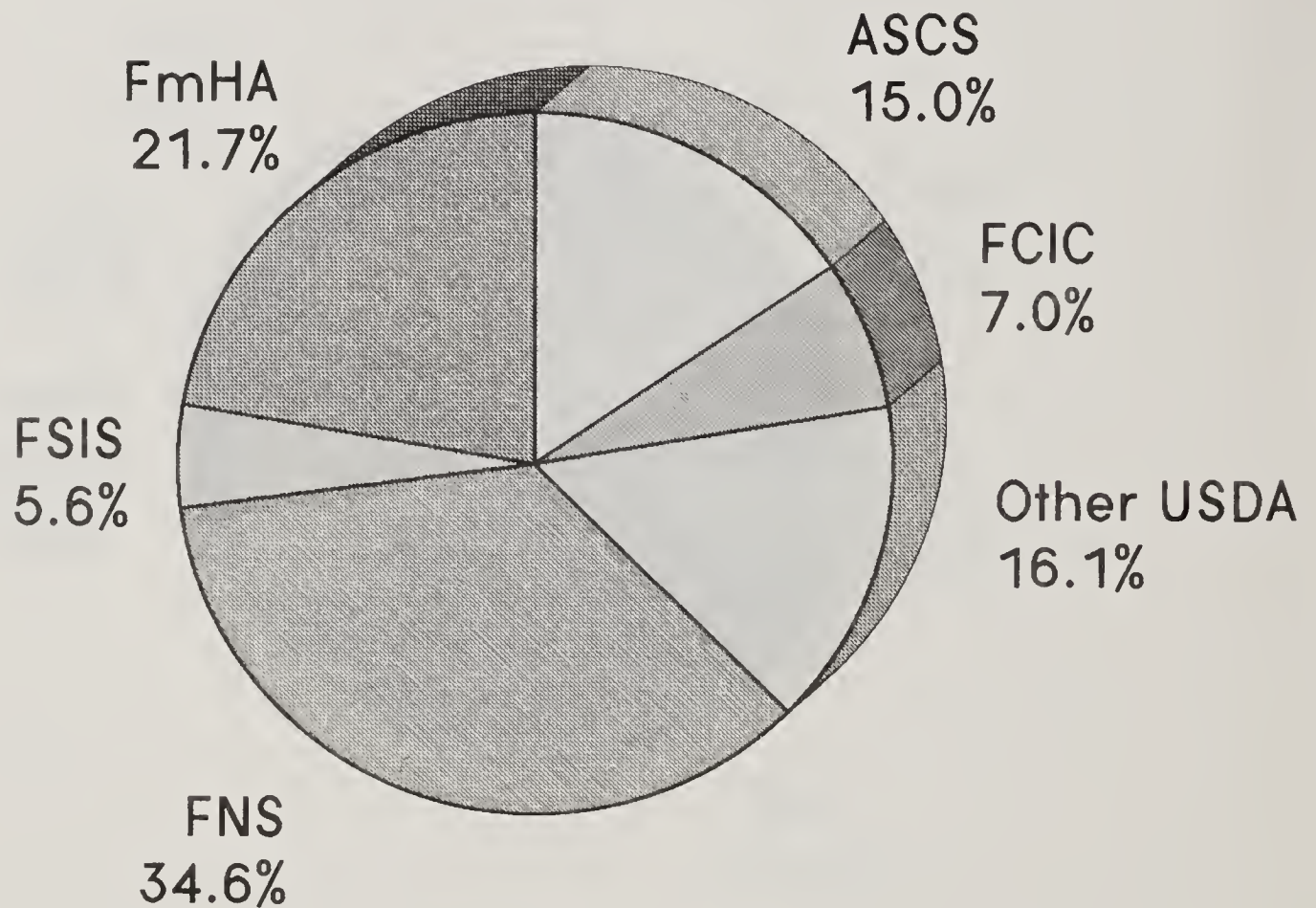




# OIG Investigations

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## Staff Days Worked Fiscal Year 1988



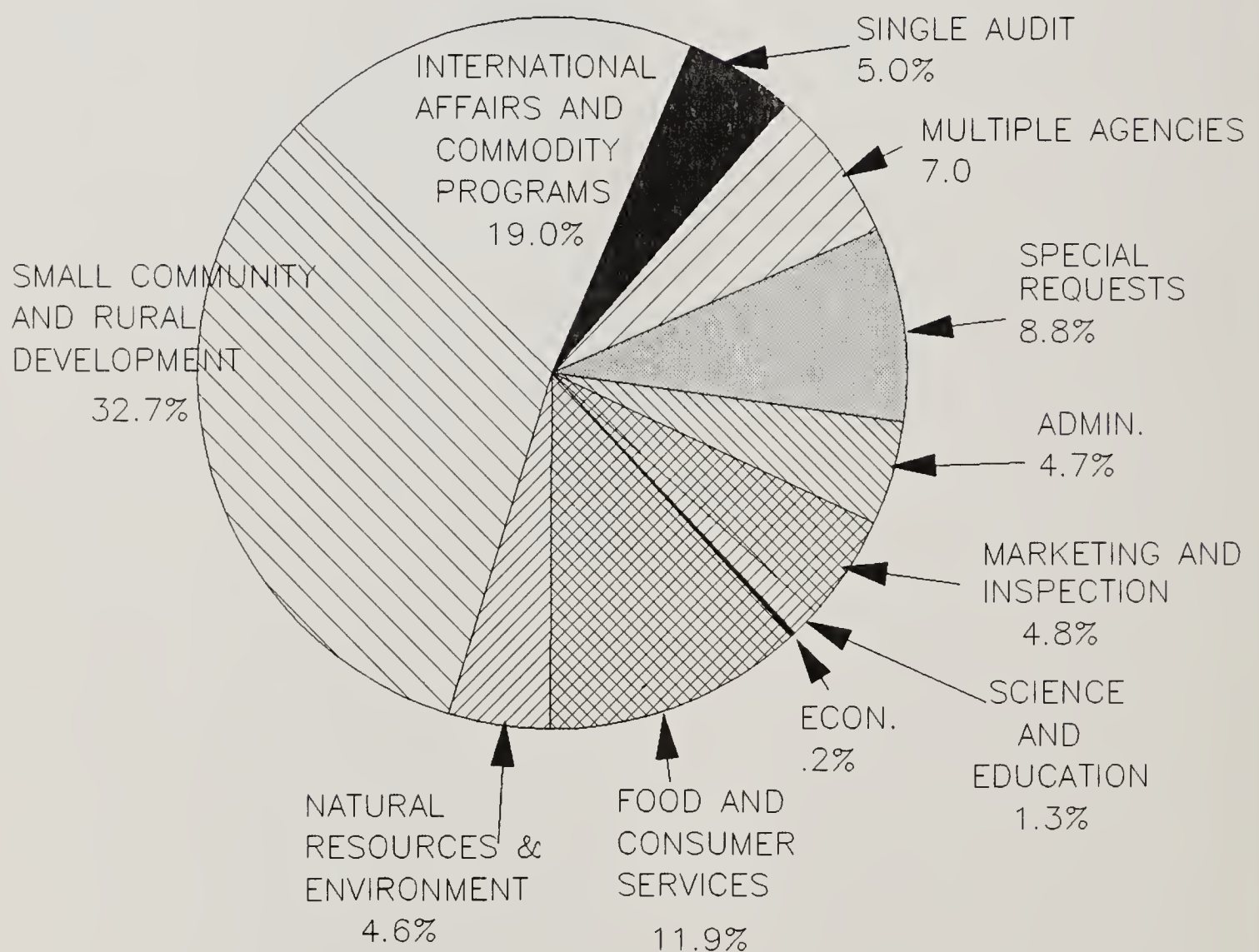


**OFFICE OF INVESTIGATIONS AGENCY TOTALS  
PERCENTAGES OF INVESTIGATIVE TIME  
FY 1987, FY 1988 ACTUAL, AND FY 1989 PLANNED**

	<b>INVESTIGATIVE TIME</b>		
	<b>FY 1987</b>	<b>FY 1988 (actual)</b>	<b>FY 1989 (planned)</b>
AMS	2.6%	3.4%	3.0%
ASCS	12.3%	15.0%	15.0%
FmHA	28.2%	21.7%	25.0%
FCIC	4.2%	7.0%	5.0%
FAS	0.6%	0.5%	1.0%
FS	1.9%	2.5%	2.5%
SCS	0.5%	0.9%	0.5%
FSIS	4.3%	5.6%	7.0%
FNS	33.1%	34.6%	33.0%
APHIS	1.3%	1.9%	2.0%
ARS	0.4%	0.4%	0.3%
ALL OTHER	10.6%	6.5%	5.7%
TOTAL	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

# FY1989 ANNUAL PLAN

## OIG AUDIT STAFF DAYS BY UNDER AND ASSISTANT SECRETARIES



## MAJOR AUDITS PLANNED FOR FY 1989





## MAJOR AUDITS PLANNED FOR FY 1989

Below are brief descriptions of major audits planned for FY 1989. All audits planned for FY 1989 are listed in the Appendix.

### UNDER SECRETARY INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS

#### Agricultural Stabilization and Conservation Service (ASCS)

TITLE: 1988 Disaster Programs

OBJECTIVE AND SCOPE: To monitor and evaluate the USDA Disaster Programs as they are being designed to cope with the drought of 1988. This includes review and comment on proposals developed and identifying what areas of the various Disaster Programs will need to be monitored or audited on a timely basis. Recommendations for program improvements will be made as they are identified, in some cases prior to actual initiation of the programs.

\*\*\*\*\*

TITLE: Follow-up Review of Commodity Certificate Operations

OBJECTIVE AND SCOPE: To determine the adequacy of corrective actions taken on the recommendations made in prior OIG audits. We also plan to evaluate accounting and administrative internal controls in regard to identifying and resolving questionable certificate redemptions, certificate alterations, and counterfeit or fraudulent certificates. In addition, we will review procedures and controls for custody, control, and accounting for certificates by State and County Offices.

\*\*\*\*\*

TITLE: Commodity Credit Corporation Grain Storage Rates

OBJECTIVE AND SCOPE: To determine whether the storage and handling rates negotiated with warehouses are reasonable, equitable, and the lowest cost practical. Also, to determine if elimination of the "same services" provision of the Uniform Grain Storage Agreement resulted in higher rates to the Commodity Credit Corporation (CCC) for these services. Recent audits disclosed storage rates at several rice warehouses in excess of those charged other customers. ASCS recently dropped the "same services" clause in the schedule of rates which provided that CCC would not be charged any more than other customers at the warehouse receiving the same services.

\*\*\*\*\*

TITLE: ASCS Action on Payment Limitations in The Price Support, CCC Loans, Crop Reserve and Disaster Programs

OBJECTIVE AND SCOPE: To determine if adequate internal and administrative controls have been prescribed to prevent a "person" from obtaining excessive program benefits, and to determine if a person or persons adopted a scheme or device designed to evade the \$50,000/\$250,000 payment limitation. States and counties with high deficiency and diversion payments and commodities loans will be selected for audit. We will also determine whether controls over 1987 payment limitations have been improved since our prior audit and whether new requirements for review of payments to new entities and producers at common mailing addresses were properly implemented for 1986.

\*\*\*\*\*

TITLE: Implementation of Emergency Feed Program

OBJECTIVE AND SCOPE: To evaluate implementation, eligibility, and compliance with the Farm Disaster Assistance Act of 1987 and other acts used to provide livestock feed to producers affected by the drought.

\*\*\*\*\*

TITLE: 1986 ASCS Deficiency/Diversion Payments and Certificates and Loans to Large Farming Operations

OBJECTIVE AND SCOPE: To determine the propriety of ASCS program payments to producers with large farming operations. The adequacy of internal controls to prevent improper payments to such producers will also be evaluated. Producers who received the largest payments in 1986 will be included in the audit universe.

\*\*\*\*\*

TITLE: Licensing and Regulation of Warehouses

OBJECTIVE AND SCOPE: Licensing and regulation of warehouses was transferred to ASCS from the Agricultural Marketing Service in 1984 by Secretary's Memorandum 1020-15. We will perform a survey of the licensing and regulating of warehouses. If potential problems are identified, an audit will be recommended. Our review will include examination of regulations related to licenses, bonds, receipts, fees, and duties of warehousemen, licensed samplers, inspectors, graders, and weighers.

\*\*\*\*\*

## Foreign Agricultural Service (FAS)

TITLE: FAS Market Development Third Party Contributions

OBJECTIVE AND SCOPE: To determine whether FAS Market Development third party contributions exceed what the third parties would have spent if there had been no agreement with the U.S. participant or cooperator. Also, we will determine whether the contributions are in line with FAS policies, directives, and agreements, ascertain accountability of third party contributions, and review management procedures in terms of recording and handling the contributions by the third party.

\*\*\*\*\*

TITLE: USDA Foreign Debt Management

OBJECTIVE AND SCOPE: To determine if new debt management policies established by FAS and the National Advisory Council are reducing arrears and affecting debtor nation program participation.

\*\*\*\*\*

TITLE: Foreign Market Development Survey

OBJECTIVE AND SCOPE: To review FAS foreign market development activities to determine if exports will eventually increase farm profits and decrease Government-owned surpluses.

\*\*\*\*\*

TITLE: FAS Foreign Agricultural Affairs Operations

OBJECTIVE AND SCOPE: To review the functions of Agricultural Councilors, Attaches, and Agricultural Trade Offices to determine that they are meeting their program objectives and to evaluate the efficiency of office management.



**UNDER SECRETARY**  
**SMALL COMMUNITY AND RURAL DEVELOPMENT**

**Federal Crop Insurance Corporation (FCIC)**

TITLE: Crop Insurance Program Actuarial Operations

OBJECTIVE AND SCOPE: To determine whether the methodology used to establish premium rates, coverage levels, and the reserve for catastrophic losses is actuarially sound; and to evaluate the effectiveness of controls to assure that premium rates are revised on a timely basis to reflect actual loss experience.

\*\*\*\*\*

TITLE: Compliance Division Operations

OBJECTIVE AND SCOPE: To evaluate whether the Compliance Division reviews are adequate and effective as an internal control procedure to prevent or detect abuses in the insurance program and whether the Division's efforts can be measured as to its impact on the overall state of the adjustment process. Work will be conducted in Washington, D.C., branch offices in Alexandria, Kansas City, Dallas, and Sacramento, and various loss adjustment sites throughout United States.

\*\*\*\*\*

TITLE: Crop Insurance Operations - Crop Year 1988

OBJECTIVE AND SCOPE: To evaluate loss adjustment activity of reinsurance companies and FCIC to determine if improvement has been made in adjustment of loss claims.

\*\*\*\*\*

**Farmers Home Administration (FmHA)**

TITLE: Disaster and Emergency Programs

OBJECTIVE AND SCOPE: To determine whether controls are sufficient to ensure that only eligible applicants are approved for Disaster and Emergency Program benefits and that benefits are computed correctly. This audit will be used to determine where in-depth audit work is needed. We will follow up on our latest Emergency Program audit issued on March 4, 1988. A survey of the new FmHA program mandated by the Disaster Assistance Act of 1988 will be included.

\*\*\*\*\*



TITLE: Administrative Appeals

OBJECTIVE AND SCOPE: To determine if Section 608 of the Agricultural Credit Act of 1987 provisions relating to appeals have been implemented in accordance with the law and operating instructions. Fifty-seven hearing officers are being hired and trained to work in the field under the supervision of three area offices.

\*\*\*\*\*

TITLE: Follow-up Audit of Rural Housing Interest Credit Eligibility

OBJECTIVE AND SCOPE: To determine if FmHA has corrected weaknesses identified in a prior audit and implemented a system to obtain wage verification at interest credit renewal effectively.

\*\*\*\*\*

TITLE: Farmer Programs Debt Restructuring Provisions, Phase III

OBJECTIVE AND SCOPE: To review FmHA implementation of the debt restructuring provisions of the Agriculture Credit Act of 1987 to determine overall compliance with the applicable regulations. Also, to evaluate the Debt and Loan Restructuring System software developed by FmHA to process the servicing actions. Fieldwork will be performed at the FmHA National Office and selected FmHA State and county Offices. Our review will be nationwide in scope. Phases I and II of this audit consisted of providing comments on the proposed program regulations and reviewing the overall implementation of the regulations.

\*\*\*\*\*

TITLE: Audit of Rural Rental Housing (RRH) Assistance and Interest Credit Programs

OBJECTIVE AND SCOPE: To determine the scope of the problems identified in our recent survey which indicated that FmHA does not adequately monitor RRH borrowers to ensure that they verify tenant income properly, that tenants do not report changes in income and that rental assistance obligations and payments to borrowers are not fully reconciled. Specifically, we will determine the amount of rental assistance and overage lost because of under-reporting of tenant income and inadequate FmHA reconciliation procedures for rental assistance obligations and payments.

\*\*\*\*\*

TITLE: Monitoring the FmHA's Asset Sale Project

OBJECTIVE AND SCOPE: To ensure that effective and cost- beneficial approaches are pursued in loan sales, effective internal controls are established, and accounting system changes and modifications are timely and accurately completed.

\*\*\*\*\*

## Rural Electrification Administration (REA)

TITLE: Audit of Large REA Disbursements and Prepayments

OBJECTIVE AND SCOPE: To determine if large dollar construction expenditures financed through REA are reasonable, necessary, and fully supported and if the prepayment of such loans met all required conditions and were in the best interest of the Government. We will follow up the impact of any irregularities reported or found regarding the loans and the effectiveness of REA's own handling of reported irregularities.

### ASSISTANT SECRETARY ADMINISTRATION

## Office of Finance and Management (OFM)

TITLE: Unliquidated Obligations

OBJECTIVE AND SCOPE: To determine if agencies are properly reviewing obligations made in prior fiscal years that were not actually spent to ensure that these obligations are still valid. Previous audits have reported a general lack of follow-up to ensure the validity of obligations made in prior years and identified agencies showing large unliquidated obligation balances that no longer maintain valid expected disbursements. Our audit would concentrate on controls in effect in the various USDA agencies to ensure that old obligations are properly tracked. Also, reviews would be made to ensure that prior year unliquidated obligations are not spent on present fiscal year items in violation of appropriation laws.

\*\*\*\*\*

TITLE: Multi Virtual Storage (MVS) Operating System at the National Finance Center (NFC)

OBJECTIVE AND SCOPE: International Business Machines (IBM) certified the MVS/XA Operating System as a secure system provided certain requirements are met. The objective of our audit would be to ensure that the National Finance Center (NFC) has met these requirements and maintained a secure system. A President's Council on Integrity and Efficiency (PCIE) review at the Kansas City Computer Center revealed that they had not met the needed requirements for their operating system and had internal control problems. Reviews would be made of the NFC operating system to determine if it was secure from unauthorized access. We would review the method used to install MVS/XA by NFC and other vendor and in-house-developed systems to determine that the IBM certification requirements have not been compromised.

\*\*\*\*\*

## Office of Information Resources Management

TITLE: Management and Control of the Honeywell Mainframe Computer

OBJECTIVE AND SCOPE: To determine whether the Honeywell computer system is being properly managed and controlled, access to computer resources and data is being properly protected, and computer resources are being efficiently and effectively used.

\*\*\*\*\*

## Office of Operations

TITLE: Consulting Advisory and Assistance Services

OBJECTIVE AND SCOPE: To determine the extent of USDA usage of consulting services. We will review management controls over the use of consulting services to determine if they are adequate and effective to prevent and detect such wasteful and abusive practices as violation of personnel ceilings, misuse of contract modifications, misuse of sole source procurement, unjustified need, poor planning and monitoring, avoidance of legal restrictions, and conflict of interest. We will also determine if data input to the Procurement Reporting System is accurate, timely and reliable. This is a PCIE multi-Department project led by the Department of Defense OIG.

\*\*\*\*\*

TITLE: Relocation Services

OBJECTIVE AND SCOPE: The objective of this PCIE project is to determine whether agencies' relocation services contracts are adequate and in accordance with specific guidelines. We will also determine if the internal controls in reference to the relocation services contracts are adequate. The project is being led by the General Services Administration OIG.

\*\*\*\*\*

TITLE: Contracting Officer and Agency Compliance with Procurement Rule

OBJECTIVE AND SCOPE: To determine whether Contracting Officers are properly exercising their authority. We will review procurement rules, assess vulnerability to noncompliance, and assist in evaluating agency internal control reporting processes. We will identify noncompliance with applicable rules and regulations and evaluate their significance in terms of the Federal Manager's Financial Integrity Act annual reports.

\*\*\*\*\*



TITLE: Debarment and Suspension

OBJECTIVE AND SCOPE: To review applicable regulations and the administrative process for debarment and suspension of procurement and nonprocurement program participants and the adequacy of such regulations. We will also determine if all agencies and offices within USDA are notified of the actions taken when participants have been debarred or suspended and whether the debarred individuals or companies continue to participate in USDA programs.

\*\*\*\*\*

TITLE: Debt Management Initiatives in USDA

OBJECTIVE AND SCOPE: To evaluate and test internal controls over various debt management systems of major USDA agencies to determine whether agencies are properly managing and collecting debts owed to the Government. We would also review what actions are taken on debts arising as a result of audits and if uncollectible debts are pursued or written off in accordance with OMB Circular A-129.

**ASSISTANT SECRETARY**  
**FOOD AND CONSUMER SERVICES**

**Food and Nutrition Service (FNS)**

TITLE: Recoupment of Food Stamp Claims and Disqualification Penalties

OBJECTIVE: Evaluate internal controls over claims recoupment and disqualifications to determine if State agencies are effecting benefit reduction to recover delinquent claims and imposing disqualification penalties against participating households on a timely basis.

\*\*\*\*\*

TITLE: Survey of Food Processing and Child Nutrition Labeling Program

OBJECTIVE AND SCOPE: To determine if large food processors are properly passing through the food value of the commodities used under State, local, and National Contracts. Further, to determine whether participants in the voluntary Child Nutrition Federal Labeling Program are complying with established policies and procedures set forth by FNS.

\*\*\*\*\*



**TITLE:** Certification, Eligibility and Income Verification in the Special Supplemental Food Program For Women, Infants and Children (WIC) Program

**OBJECTIVE AND SCOPE:** To evaluate State compliance with regulatory requirements regarding certification, eligibility determination, and income verification. We will also review and evaluate how income limits are established by States, determine if States require local agencies to verify income and, if so, how it is done. In addition, we will discern what use is made of social security numbers (SSN) gathered by some States and why all States are not required to gather and use SSNs as part of the certification process.

\*\*\*\*\*

**TITLE:** Means Testing and Program Compliance in Family Day Care Home Program

**OBJECTIVE AND SCOPE:** To determine the loss to the Government because of the absence of a family income means test as an eligibility factor for participation in the Family Day Care Home Program.

\*\*\*\*\*

**TITLE:** Food Stamp Program (FSP) Computer Matching

**OBJECTIVE AND SCOPE:** To determine the extent of unreported income of Federal employees participating in the FSP and duplicate participation by individual FSP recipients. Claims will be established as necessary to recover overissuances. Computer files for June 1988 will be used for FSP recipients in New York City, NY; Newark, NJ; Washington, DC; Toledo, OH; Atlanta, GA; Minneapolis, MN; St. Paul, MN; Seattle, WA; Denver, CO; San Francisco, CA; and within the States of Arkansas, Texas, New Mexico, Louisiana, Oklahoma, Maryland, Michigan and Virginia. We will also perform FSP matches to identify persons who are participating in the FSP in D.C. and in adjoining counties in Maryland and Virginia at the same time.

\*\*\*\*\*

**TITLE:** Food Stamp Program Bank Monitoring System (BMS) Redesign Efforts

**OBJECTIVE AND SCOPE:** To monitor FNS progress on redesigning the current Bank Monitoring System. Also, to assure that controls and enforcement procedures are present to deter banks and retailers from abusing the system.

\*\*\*\*\*

**ASSISTANT SECRETARY**  
**SCIENCE AND EDUCATION**

**TITLE:** Controls Over Agricultural Biotechnology Research

**OBJECTIVE AND SCOPE:** To determine whether research guidelines on the laboratories, release, and applications of agricultural biotechnology are sufficiently defined, and adequately coordinated to ensure compliance with Federal laws and Departmental policies. Audits of specific projects will be conducted as a result of survey work performed.

\*\*\*\*\*

**Cooperative State Research Service**

**TITLE:** Cooperative State Research Programs - 1890 Land Grant Institutions

**OBJECTIVE AND SCOPE:** To evaluate the overall management of the Cooperative State Research Program at selected Land Grant Institutions (LGI). Also, we will coordinate with Extension Service to identify specific problems associated with LGIs as a whole.

\*\*\*\*\*

**Extension Service**

**TITLE:** Extension Service - 1890 Land Grant Institutions

**OBJECTIVE AND SCOPE:** To evaluate the overall management of the Extension Service Program at selected Land Grant Institutions.

**ASSISTANT SECRETARY**  
**NATURAL RESOURCES AND ENVIRONMENT**

**Forest Service (FS)**

**TITLE:** Collection of Default Damages on Timber Sale Contracts

**OBJECTIVE AND SCOPE:** To determine whether a detailed audit is needed to evaluate the effectiveness of controls over the collection of damages assessed against companies that default on timber sale contracts and to determine where claims are properly handled. Survey work will be conducted in FS Regions 1, 5, and 6. Nationwide, uncollected default damages have grown from \$125 million to approximately \$225 million in the past year.

\*\*\*\*\*

TITLE: Timber Appraisals

OBJECTIVE AND SCOPE: To determine whether a detailed audit is needed to evaluate the progress made by the FS to obtain timber appraisals that are more representative of fair market value. The FS admits there are serious problems with residual value appraisals and has resolved to achieve appraisals in each Region that average at least 70 percent of the bid amount. This is a followup to a prior audit.

\*\*\*\*\*

TITLE: Timber Management Antitrust Controls

OBJECTIVE AND SCOPE: To determine whether a detailed audit is needed to evaluate the effectiveness of the program established to detect and deter antitrust violations in the sale of National Forest timber. The survey will consider timber sales for Fiscal Years 1984-1988 in FS Regions 1, 5, and 6. This is a followup to a prior audit. Recent prosecutions, allegations by purchasers, and OIG analyses indicate that collusive bidding may be a continuing problem.

\*\*\*\*\*

TITLE: Timber Sale Administration

OBJECTIVE AND SCOPE: To evaluate the effectiveness of controls over various aspects of the timber sale administration including sale area visits, law enforcement, extraordinary surveillance, truck checks, and product removal receipt controls. The audit will be limited to FS Region 6. The publicity concerning timber theft has seriously impacted the Region's program in the 1980s. Numerous indictments and several convictions have resulted.

\*\*\*\*\*

TITLE: Analysis of Knutson-Vandenberg (KV) Fund Balances

OBJECTIVE AND SCOPE: To determine if FS corrective action was sufficient to eliminate excessive KV fund balances. FS returned \$81 million as a result of our nationwide audit (Audit No. 08630-1-At) released March 31, 1987. The scope of the audit will be an analysis of KV fund balances for a sample of regions and National Forests and FY 1987 KV fund status report for each National Forest.

\*\*\*\*\*

TITLE: Recreation Management Initiatives in the Forest Service

OBJECTIVE AND SCOPE: The FS has recently announced new initiatives in recreation management. There are indications that FS units are spending millions to rehabilitate and enhance recreational sites. The objectives of the survey are to evaluate these recreational



initiatives for potential audit issues and review the propriety of expenditures in this activity. The scope of the survey will be limited to FS recreation operations in FS Regions 8 and 6.

**ASSISTANT SECRETARY**  
**MARKETING AND INSPECTION SERVICES**

**Agricultural Marketing Service (AMS)**

**TITLE:** Meat Grading and Certification Branch (MGCB) Operations

**OBJECTIVE AND SCOPE:** The objectives of the audit are to identify and evaluate internal controls over meat grading and certification. We will determine the extent that graders may be falsifying grading certificates to conceal improper upgrading of carcasses, whether graders are properly identifying defects in processed meat products as part of the certification process, and are accepting production lots in accordance with applicable specifications. In addition, we will determine whether the MGCB is fulfilling its responsibilities in identifying retailers who are misrepresenting the quality of meat sold to the public and evaluate physical and administrative controls over rollerbrands and other equipment.

\*\*\*\*\*

**TITLE:** Survey of Research and Promotion Programs involving Beef, Cotton, Eggs, Honey, Pork, Potatoes and Watermelons

**OBJECTIVE AND SCOPE:** To determine if assessments are properly collected and expended in accordance with the intent of the Agricultural Marketing Acts, and controls are in place to ensure that funds are used for authorized purposes and accounted for properly, and that program operations are conducted according to applicable laws, regulations, and procedures.

\*\*\*\*\*

**TITLE:** Evaluation of Agricultural Marketing Service Controls Over Marketing Order Operations

**OBJECTIVE AND SCOPE:** Our review of AMS controls related to the Florida Lime and Avocado Marketing Order (MO) committees (Audit No. 01031-43-At, released 1/5/88) disclosed material weaknesses in the agency's controls over committee operations. The objective of this survey is to determine if these control weaknesses are nationwide in scope. The scope of the survey will be limited to a test of AMS controls established for a selected sample of MOs.

\*\*\*\*\*



## **Animal and Plant Health Inspection Service (APHIS)**

**TITLE:** Survey of APHIS Plant Protection and Quarantine (PPQ) Export Activities

**OBJECTIVE AND SCOPE:** To determine whether the Phytosanitary certificates for U.S. Exports are reliable. There are allegations that U.S. certificates for export of fruit and vegetables are being given without regard for effective treatment, making some nations reluctant to import U.S. products.

\*\*\*\*\*

**TITLE:** APHIS Import Inspection Controls

**OBJECTIVE AND SCOPE:** To ensure the adequacy of quarantine controls over exotic birds, and whether applicable regulations are being adhered to. As part of the previous audit on quarantine controls over contaminated herbs, we reviewed regulations pertaining to quarantine controls over exotic birds, but no audit work was performed. We will also determine if APHIS is complying with U.S. Treasury and Departmental regulations concerning the assessment, collection and deposit of fines in reference to illegal entry into the U.S.

\*\*\*\*\*

**TITLE:** Survey of Implementation of the Animal Welfare Act

**OBJECTIVE AND SCOPE:** To survey whether APHIS has established controls and is complying with standards established in the Animal Welfare Act of 1985 for the care and handling of certain animals used for purposes of research, experimentation, exhibition, or held for sale as pets.

\*\*\*\*\*

## **Federal Grain Inspection Service (FGIS)**

**TITLE:** FGIS Compliance with 1986 Grain Improvement Act

**OBJECTIVE AND SCOPE:** To determine what actions FGIS has taken to implement and comply with provisions of the 1986 Grain Improvement Act. We will review FGIS inspection actions at gulf ports to determine if shipments are monitored for quality, whether quality has improved and, if not, why.

\*\*\*\*\*

## Food Safety and Inspection Service (FSIS)

TITLE: Swine and Cattle Identification Program

OBJECTIVE AND SCOPE: To determine the adequacy of the system requiring the identification of all swine in interstate commerce and to check the applicability of applying the program to cattle. The proposed system will establish a nationwide identification and trace-back system that will make it easier to trace the source of diseased animals or those with drug or chemical residues. This will help FSIS to control the persistent problem of sulfa residues in swine.

\*\*\*\*\*

TITLE: Meat and Poultry Inspection Labeling Policies and Approvals

OBJECTIVE AND SCOPE: To assess compliance with the Federal Meat Inspection Act and the Poultry Products Inspection Act to ensure that products are properly labeled through consistent application of policies, approvals, and adequate verification of claims. Prior OIG and GAO audits have determined that products are being incorrectly labeled and that FSIS oversight is poor. This issue as it relates to the Verified Production Control program will be included in our present audit; however, there is a need to review all FSIS labeling activities to determine the significance of the problem.

\*\*\*\*\*

TITLE: Meat and Poultry Discretionary Inspection Programs

OBJECTIVE AND SCOPE: To evaluate success of the pilot program authorized by the Processed Products Improvement Act to improve inspection at reduced cost in processing plants. The program implements periodic inspection, random staff assignments and unannounced visits; and findings and corrective action on deficiencies found, including an ADP application designed to generate random visitation schedules. This is a major initiative in FSIS with a \$2.5 million budget in FY 1988. It was recommended by the National Academy of Sciences and OIG Audit No. 38607-1-At.

\*\*\*\*\*

TITLE: Evaluation of new Technologies in Poultry Slaughter Inspection

OBJECTIVE AND SCOPE: To evaluate the effectiveness of new poultry slaughter inspection techniques adapted by FSIS to ensure acceptable poultry products. We will review the National Office and selected poultry slaughter plants.

\*\*\*\*\*

## **APPENDIX**





## GUIDE TO ACRONYMS

ADP	Automated Data Processing
AICPA	American Institute of Certified Public Accountants
AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ARS	Agricultural Research Service
ASCS	Agricultural Stabilization and Conservation Service
B&I	Business and Industry
BMS	Bank Monitoring System
CAAS	contracted advisory and assistance services
CCC	Commodity Credit Corporation
CNP	Child Nutrition Program
CRP	Conservation Reserve Program
CSRS	Cooperative State Research Service
DOJ	Department of Justice
FAR	Federal Acquisition Regulations
FAS	Foreign Agricultural Service
FCIC	Federal Crop Insurance Corporation
FFP	Food for Progress
FGIS	Federal Grain Inspection Service
FmHA	Farmers Home Administration
FNS	Food and Nutrition Service
FP	Farmer Programs
FS	Forest Service
FSA	Food Security Act
FSIS	Food Safety Inspection Service
FSP	Food Stamp Program
GAO	General Accounting Office
IBM	International Business Machines
IPD	Investigative Programs Division
KV	Knutson-Vandenberg
LGI	Land Grant Institutions
MGCB	Meat Grading and Certifications Branch
MO	Marketing Order
MT	Metric Ton
MVS	Multi Virtual Storage
NFC	National Finance Center
NSLP	National School Lunch Program
OIG	Office of Inspector General
OMB	Office of Management and Budget
PCIE	President's Council on Integrity and Efficiency
PPQ	Plant Protection and Quarantine
REA	Rural Electrification Administration
RRH	Rural Rental Housing
SSN	social security number
TEA	Target Export Assistance
USDA	United States Department of Agriculture
WIC	Women, Infants and Children



AGENCY(S)	TITLE	REGION	OTHER REGIONS	STAFF DAYS
AMS	Survey of AMS Compliance, Inspection, and Grading Activities	MWR		150
AMS	Survey - Research and Promotion Programs	NER		100
AMS	Cotton Research and Promotion	SER		75
AMS	Tobacco Grading and Inspection Fees	SER		50
AMS	Federal Inspection Under EPIA	SER		60
AMS	Evaluation of AMS Controls Over Marketing Order Operations	SER		100
AMS	Meat Grading and Certification Branch (MGCB) Operations	MWR		50
AMS	AMS - Perishable Agricultural Commodities Act (PACA)	NER		100
AMS	Plant Variety Protection Act/Federal Seed Act	SER		100
AMS ASCS	Adeq. of Pest. Tolerance Levels for Imported & Domestic Tob.	SER		100
AMS	Tobacco Seed and Plant Exportation Act	SER		50
			TOTAL STAFF DAYS	935
APHIS	Survey of Implementation of the Animal Welfare Act	GPR		100
APHIS	Federal Assistance for Brucellosis Eradication	SWR		100
APHIS ARS FS	Workforce Credentialing	NER		50
APHIS	APHIS Resource Management Systems and Evaluation Staff	NER		150
APHIS	Survey - APHIS - PPQ Export Activities	NER		100
APHIS	Medfly Eradication Project in Tampucula, Mexico and Guatemala	NER		150
APHIS	APHIS Import Inspection Controls	NER	WR	225
			TOTAL STAFF DAYS	875
ASCS, FNS AMS	Evaluation of Commodity Procurement Practices	MWR		200
ASCS	Survey of CCC Warehouse Examination Deficiency Reports	FMS		20
ASCS CCC OMB	Implementation of the Prompt Payment Act in CCC Programs	FMS		100
ASCS	Controls in the Producer Payment Reporting System	FMS		100
ASCS FmHA	1988 Disaster Programs	MWR	SWR GPR SER WR	1200
ASCS CCC	ASCS Directives Management Review	FMS		50
ASCS	Controls in the Check Accounting System	FMS	WR	200
ASCS CCC	Financial Management System Cash Receipts Allocation Process	FMS		200
ASCS	GFA Peanut Association, Camilla, Georgia	SER		50
ASCS	Followup Review of Commodity Certificate Operations	FMS	MWR	50
ASCS	Monitoring the Pilot Program on Commodity Futures Trading	GPR		100
ASCS CCC	GIMS Inventory Position Accounts	FMS		150
ASCS	Transportation Assistance Program	FMS	MWR, SWR, GPR	350
ASCS CCC	Review of SCOAP Applications with GIMS Data Base	FMS		150
ASCS	County Posted Prices For Loan Redemptions	GPR		75
ASCS CCC	Commodity Credit Corporation Grain Storage Rates	FMS	GPR, SWR, MWR, WR	450
ASCS	Audit of Illinois State and County Office Operations	MWR		300
ASCS	Conservation Reserve Program	GPR		80
ASCS	Controls for Conservation Reserve Program Payment Limitation	FMS		30
ASCS	Conservation Reserve Program Contract and Reporting Systems	FMS		150
ASCS	Management of County Office Operations	SWR		250
ASCS	CRP - Land and Producer Eligibility	SER	SWR	50
ASCS	Conservation Reserve Program Bids For Sixth Signup	GPR		150
ASCS	1986 ASCS Payments to Large Farming Operations	SWR	SWR GPR WR FMS	150
ASCS	Implementation of Emergency Feed Program	SWR	WR SER MWR GPR	900
ASCS FAS FGIS	Foreign Complaints on U.S. Grain Exports	NER		175
ASCS	County Office Administrative Expense System	FMS		100

## FY 1989 AUDIT PLAN SORTED BY AGENCY

AGENCY(S)	TITLE	REGION	OTHER REGIONS	STAFF DAYS
ASCS CCC	Grain Loading Order Settlements	FMS		125
ASCS	Storage and Handling Payments to Grain Warehouses	FMS		100
ASCS CCC	Grain Inventory Management System Audit Trail and Security	FMS		100
ASCS	Commodity Credit Corporation Grain Barter/Exchange Program	FMS		100
ASCS CCC	Management of Commodity Credit Corporation Inventory	FMS		180
ASCS FAS	Combined ASCS and FAS Information Processing Center	FMS		250
ASCS	ASCS State and County Office Operations	SER		200
ASCS	Program Compliance Systems Follow-up	GPR		100
ASCS	Roll Up Of State Office Audits	GPR	NER MWR SWR SER FMS WR	100
ASCS	County Office Operations	GPR		530
ASCS	Implementation of 1987 Farm Program Integrity Act	SWR		150
ASCS	Sugar Price Support Program	GPR		25
ASCS	ASCS Action on Payment Limitations	SWR	WR GPR FMS	850
ASCS	Crop Acreage Bases and Yields	GPR		100
ASCS	1988 SCOAP PA Software Accuracy and Data Integrity	FMS	MWR SWR GPR	300
ASCS	Crop Eligibility for ASCS Farm Programs	MWR		50
ASCS	Audit of Pennsylvania State and County ASCS Offices	NER		300
ASCS	New York Agricultural Stabilization & Conservation Service	NER		300
ASCS	Security and Controls Over Personal Property	FMS		50
ASCS	Integrity of SCOAP Data	GPR		80
ASCS	Monitor Development of Processed Commodity Inventory System	FMS		100
ASCS	Tobacco Warehouse Automation	SER		50
ASCS	Assessment and Collection of Penalties Against Tobacco Dealer	SER		100
ASCS	Licensing and Regulation of Warehouses	SER		100
			TOTAL STAFF DAYS	10120
CSRS	Cooperative State Research Programs - 1890 LGIs	SER		300
CSRS	Research Facilities Program	SER		25
			TOTAL STAFF DAYS	325
ES	Extension Service - 1890 LGIs	SER		300
ES	Extension Facilities Programs	SER		75
ES	Matching and Accounting Requirements for Special Grants	SER		100
			TOTAL STAFF DAYS	475
FAS	Audit of FAS Compliance Review Staff	NER		75
FAS	USDA Foreign Debt Management	NER		150
FAS	Audit of FAS Foreign Operations	NER		100
FAS	Third Party Contributions	NER		100
FAS	Sugar Programs	NER		100
FAS	Market Development Survey	NER		100
FAS	Survey of USDA Technical Office for International Trade	NER		50
FAS CCC	Currency Use Payments (CUP)	NER		100
FAS CCC	Sales for Local Currencies, Private Enterprise Promotion	NER		100
FAS CCC	Usage of Section 32 Funds	NER		100
			TOTAL STAFF DAYS	975
FCIC	Financial Accounting Interfaces Between FCIC and CHIAA	FMS		25
FCIC	Central Processing System	FMS		100



FY 1989 AUDIT PLAN SORTED BY AGENCY

<u>AGENCY(S)</u>	<u>TITLE</u>	<u>REGION</u>	<u>OTHER REGIONS</u>	<u>STAFF DAYS</u>
FCIC	Analysis of FCIC Data Bank	FMS		150
FCIC	Actuarial Operations	GPR		100
FCIC	Field Underwriting Office Operations	SWR		50
FCIC	FCIC Distributive Processing System	FMS		100
FCIC	Compliance Division Operations	SWR		100
FCIC	Crop Insurance Operations - Crop Year 1988	SWR	NER SER MWR GPR WR HDQ FMS	3750
			TOTAL STAFF DAYS	4375
FGIS	FGIS Compliance with 1986 Grain Improvement Act	SWR		75
FGIS	FGIS - Billing Activity	NER		100
			TOTAL STAFF DAYS	175
FmHA	State Coordinated Audit-California	WR		430
FmHA	Establishment of Interest Rates	GPR		75
FmHA	Automated Enhancements - Agricultural Credit Act of 1987	FMS		100
FmHA	FmHA Transaction Flow Analysis	FMS		200
FmHA	Monitoring FmHA's Strategic Financial System Improvements	FMS		175
FmHA	FmHA Payment Collection Methods	FMS		200
FmHA	FY 1989 FmHA Operations - Nationwide Review	FMS	NER SER MWR SWR GPR WR	375
FmHA	Review of Guidelines for Referral of FmHA Cases	GPR		100
FmHA	National Systems Application Programs - Standards for Testing	FMS		260
FmHA	Financial Audit of a Business and Industrial Loan Borrower	WR		100
FmHA	Loan Making in the B & I Loan Program	WR		50
FmHA	FmHA Business and Industrial Loan Liquidation Referrals	WR	NER SER GPR SWR MWR	700
FmHA	Intermediary Relending Program (IRP)	SER		50
FmHA	Impl.of Debt Settlement Provisions for Comm. & B&I Loans	SWR		50
FmHA	Defeasance of Community Programs Loans	SER		50
FmHA	Delinquent FmHA Borrowers Participating in ASCS CRP Program	SER		100
FmHA	Econ. Decisions Whether to Acquire Farm Real Estate Security	SER		75
FmHA	Farm Ownership for Socially Disadvantaged Individuals	SER		200
FmHA	FmHA Farmer Programs Loan Making and Servicing, Ohio	MWR		300
FmHA	Accounting for Loan Security Property	SER		30
FmHA	Promptness Standards for Loan Approval and Appeal Actions	SER		150
FmHA	Debt Restructuring Provisions, Phase III	WR	FMS GPR MWR SER SWR	1350
FmHA	Audit of Illinois State and County Office Operations	MWR		200
FmHA	FmHA County Office Operations	GPR		225
FmHA	Monitoring the FmHA's Asset Sale Project	FMS		200
FmHA	Monitoring Disaster/Emergency Programs	SER	MWR GPR SWR	700
FmHA	FmHA Guaranteed Farmer Program Loans Admin. & Servicing Costs	SWR		75
FmHA	Evaluation of FmHA's Imple. of Interest Rate Reduction Prog.	SER		100
FmHA	Labor Housing Followup	SER		150
FmHA	FmHA State and County Office Operations	SER		200
FmHA	Rural Area Eligibility Designations	SER		30
FmHA ASCS FCIC	Unauthorized Use of FmHA Inventory Farm Property	SER		30
FmHA	Administrative Appeals	SER	NER, SWR	300
FmHA	FmHA - Dwelling Retention	SER		50
FmHA	Audit of New York FmHA State and County Offices	NER		300
FmHA	FmHA Automated Deposit Fund	FMS		250
FmHA	Concentration Banking System (CBRAMS) - Post Implementation	FMS		150

AGENCY(S)	TITLE	REGION	OTHER REGIONS	STAFF DAYS
FmHA	GAO Review of FmHA Financial Statements	FMS		265
FmHA	Survey - FmHA Problems - Nationwide Review	FMS		75
FmHA	Monitoring FmHA's Automated Field Management System	FMS	NER SER MWR SWR GPR WR	300
FmHA	Operating Loans Made to Delinquent Borrowers	SER		100
FmHA	Survey of Loan Eligibility for FmHA Guaranteed Loans	SWR		100
FmHA	Purchase of Farm Credit System Land	WR		50
FmHA	Followup Audit of RH Interest Credit Eligibility	MWR		100
FmHA	Audit of RRH Rental Assistance and Interest Credit	MWR	SER SWR WR MWR FMS	1475
FmHA	Survey of Community Programs Activities	MWR		100
FmHA	Cost/Benefit Analysis of the RH Servicing Contract In SC	SER		150
FmHA	Great Atlantic Mortgage Corp. - Puerto Rico	NER		40
FmHA	Verify Fee's Earned as Subservicer for RRH Loans Sold in 1987	FMS		100
FmHA	Management of County Office Operations	SWR		250
FmHA	Manufactured Housing	SER		50
FmHA	Rural Rental Housing Loans in California	WR		100
FmHA	FmHA RRH Construction Activities	MWR		100
FmHA	Security of and Accounting for RRH Reserve and Operating Fund	MWR	NER SER MWR SWR WR	170
FmHA	Single Family Housing Graduation Pilot Project	SER		100
			TOTAL STAFF DAYS	11705
FNS	Nutritional Assistance Program, Puerto Rico	NER		100
FNS	Survey of FNS Regional Operations	NER		150
FNS	Survey of the Child Care Food Program	SWR		100
FNS	Means Testing and Program Compliance in FDCH	MWR		300
FNS	Puerto Rico Agricultural Credit Corporation	NER		150
FNS AMS FSIS	Survey of Food Processing and Child Nutrition Labeling	MWR		200
FNS	Audit of the Food Distribution Program in Pennsylvania.	NER		200
FNS	Error Rate Reduction and Claims Management	SER		125
FNS	Recoupment of Claims and Disqualification Penalties	SER		300
FNS	Error Rate Reduction	SER		75
FNS	Enhanced Funding - Suspected Fraud	SER		15
FNS	Audit of the Food Stamp Program in New York City	NER		300
FNS	D.C. Foodstamp Program Matches	NER		250
FNS	Monitoring of BMS Redesign Efforts	NER		150
FNS	Administrative Costs In The Food Stamp Program	WR	MWR	325
FNS	Contracting for State ADP System Development	WR		75
FNS	FNS - Pilot Cash Out Program, Washington	WR		50
FNS	Survey of Food Stamp Claims	GPR		50
FNS	Implementation of Income and Eligibility	SWR		75
FNS	Food Stamp Program Computer Matching	SWR	SER MWR GPR WR	1300
FNS	Coordinated Audit of the Food Stamp Program in Michigan	MWR		200
FNS	Food Stamp Program Accountability/Retailer Tracking	MWR		100
FNS	Joint Audit and Investigation of Currency Exchanges	MWR		100
FNS	Minnesota State Coordinated Food Stamp Program Audits	MWR		300
FNS	Work Registration & State Agency Employment & Training Grants	SWR		100
FNS	Monitoring of State ADP System Development	WR		300
FNS	Administrative Costs	SER		50
FNS	Baltimore Food Stamp Program Followup	NER		100
FNS	FNSRO Compliance with BMS Follow-up Procedures	NER		50

FY 1989 AUDIT PLAN SORTED BY AGENCY

<u>AGENCY(S)</u>	<u>TITLE</u>	<u>REGION</u>	<u>OTHER REGIONS</u>	<u>STAFF DAYS</u>
FNS	Monitoring Non-Federal ADP Systems	SER		275
FNS	Child Nutrition Programs	SER		200
FNS	Food Service Management Companies in the National School Prog	WR		100
FNS	Survey of Child Nutrition Program Operations	NER		300
FNS	Survey of Child Nutrition Program Operations	GPR		200
FNS	FNS CNP Programs (FNSRO and Indiana) Including SAE Funds	MWR		250
FNS	Certification, Eligibility and Income Verification in WIC Program	MWR		150
FNS	WIC Administrative Costs	SER		100
			TOTAL STAFF DAYS	7165
FS	Contract Administration	WR		50
FS	Forest Service (FS) Pilot Project	FMS		120
FS	Federal Excess Personal Property Program	WR		75
FS	Propriety of Accounting Adjustments Between CAS/PAMARS Accts.	SER	WR	175
FS	Monitoring of Deficit Unobligated Balances	SER		75
FS	Fire Related Procurements	WR		50
FS	Control of Unemployment Compensation Costs	WR		250
FS	Survey of FS Minerals Area Managment	GPR		150
FS	Automated Purchase Orders System, Internal Controls	FMS		100
FS	National Forest Operations Evaluation	SWR		100
FS	Management of the Land Purchase and Exchange Programs	MWR		100
FS	Recreation Management Initiatives in the FS	SER	WR	80
FS	Timberline Lodge Special Use Permit Fee	WR		100
FS	Development and Implementation of FS Microwave Communication	SER		300
FS	Analysis of Knutson-Vandenberg (KV) Fund Balances	SER	WR GPR	420
FS	Collection of Default Damages on Timber Sale Contracts	WR	GPR	100
FS	Timber Appraisals	WR		75
FS	Timber Management Antitrust Controls	WR	GPR	100
FS	Timber Sale Administration	WR		100
FS	Timber Sale Contract	WR		100
FS	Survey of Timber Sale Program Information Reporting System	FMS	WR	100
			TOTAL STAFF DAYS	2720
FSIS	Labeling Policies and Approvals	SER		300
FSIS	Eval. of New Technologies in Poultry Slaughter Inspection	SER		75
FSIS	Central Data Base Query System	SER		75
FSIS	Federal Meat and Poultry Inspection Operations	WR		200
FSIS	Discretionary Inspection	SER		100
FSIS APhi	Swine and Cattle ID Program	SER		100
FSIS	Review of Listeria Bacteria	NER		50
			TOTAL STAFF DAYS	900
MULTI	Use of Cooperative Agreements as Authorized by 1985 Farm Bill	NER		100
MULTI	Audit Management Process Direct Time	SWR		1025
MULTI	Audit Management Process Direct Time	MWR		1175
MULTI	Audit Management Process Direct Time	GPR		975
MULTI	Review of Controls Over Production Programs	FMS		75
MULTI	Controls Over Biotechnology Research	NER		200
MULTI	Special Requests	FMS		250



FY 1989 AUDIT PLAN SORTED BY AGENCY

<u>AGENCY(S)</u>	<u>TITLE</u>	<u>REGION</u>	<u>OTHER REGIONS</u>	<u>STAFF DAYS</u>
MULTI	Audit Management Process Direct Time	FMS		1500
MULTI	FMS Headquarters Staff (4)	FMS		800
MULTI	FOI Act Costs and APHS User Fees	NER		150
MULTI	CPA-Contract Auditing	GPR	MWR SER WR NER SWR	625
MULTI	Debt Management Initiatives in USDA	FMS		150
MULTI	Pro. Integrity of Agr. Research & Technology Transfer Efforts	NER		100
MULTI	Evaluation of Internal Control Process	NER	FMS	300
MULTI	Review of Agency Methods of Handling Imprest Funds	NER		100
MULTI	Evaluation of the Internal Control Process	NER		25
MULTI	Management and Controls Over Disbursements	FMS		400
MULTI	PCIE Project - Coordinated Review of Guaranteed Loans	SER		100
MULTI	Establishment of Accounts Receivable From Audit Findings	SER		100
MULTI	Debarment and Suspension	SER		100
MULTI	Special Requests	SER		525
MULTI	Audit Management Process Direct Time	SER		1525
MULTI	Consulting Advisory and Assistance Services	NER		500
MULTI	Relocation Services	NER	FMS	250
MULTI	Contract Audits	NER	MWR SER GPR FMS WR SWR	650
MULTI	Special Requests	NER		2500
MULTI	Audit Management Process Direct Time	NER		1600
MULTI	Management Process Direct Time	WR		1000
MULTI	Special Requests	WR		550
MULTI	Special Requests	GPR		575
MULTI	Audit Followup	GPR	MWR WR SWR SER NER FMS	1400
MULTI	Special Requests	SWR		350
MULTI	Implementation of Single Audit Act by Program Agencies	MWR		150
MULTI	Audit Management Process Direct Time	HDQ		4400
MULTI	Management of Single Audits	GPR	WR MWR SWR SER NER	1300
MULTI	Compliance With Sodbuster/Swampbuster Provisions	GPR		100
MULTI	Telenet Billings Security and Usage	FMS		50
MULTI	Special Requests	MWR		570
			TOTAL STAFF DAYS	26245
NASS ASCS AMS	Determination and Use of Average Market Prices	SWR		125
			TOTAL STAFF DAYS	125
NFC MULT	Agency Administrative Systems	FMS	WR SER	150
NFC	MVS Operating System at NFC	FMS		250
NFC	Purchase Order System	FMS		150
NFC MULT	Personal Property System - Remote Access Controls	FMS		150
NFC MULT	Post-Implementation Audit of the Travel System	FMS		100
			TOTAL STAFF DAYS	800
OFM MULT	Unliquidated Obligations	FMS		200
OFM ASCS FNS	Departmentwide Financial Information System (DFIS)	FMS		100
OFM	Closing Actions for Leases, Interag. Agreements & Blanket P.O's	NER	FMS	150
OFM NFC	Review of Balancing and Reconciling Operations	FMS		150
OFM	Advanced Federal Assistance Provided Under OMB Circular A-110	MWR		25



FY 1989 AUDIT PLAN SORTED BY AGENCY

<u>AGENCY(S)</u>	<u>TITLE</u>	<u>REGION</u>	<u>OTHER REGIONS</u>	<u>STAFF DAYS</u>
			TOTAL STAFF DAYS	625
OICD	Review of OICD International Training Division	NER		100
OICD	OICD Involvement with PL-480 Activity	NER		200
OICD NFC	Management and Accountability for Receivables due	NER		50
			TOTAL STAFF DAYS	350
OIG	OIG ADP Systems and Projects - CAPTAIN Monitoring	FMS		285
			TOTAL STAFF DAYS	285
OIRM	Security and Control of the WCC Transfer to NCC-KC	FMS		25
OIRM	Management of the Mainframe Communications Network	FMS		100
OIRM	Management and Control of USDA Direct Access Disk Storage	FMS		200
OIRM	Tape Library Management and Control	FMS		150
OIRM	Management and Control of the CSI to PSI Transfer at NCC-KC	FMS		100
OIRM	Management and Control of the Honeywell Mainframe Computer	FMS		250
OIRM	Review of Production Processing Efficiency and Controls	FMS		100
OIRM MULT	Customer Information Control System Security and Controls	FMS		50
OIRM	Management of Sensitive Data by USDA User Agencies	FMS		100
OIRM	NCC-KC Compliance with OMB Circular A-97 and Procurement Regs	FMS		100
			TOTAL STAFF DAYS	1175
OO	Contracting Officer (Agency) Compliance with Procurement Rule	NER		200
OO	Vehicle Management Program	NER		50
			TOTAL STAFF DAYS	250
REA	Non-Act Capacity/Energy Sales Related to Guaranteed Loans	SER		150
REA	Review of REA Work-Out Teams	MWR		200
REA	Audit of Large REA Disbursements and Prepayments	MWR	NER SER SWR WR GPR	1900
REA FNS FmHA	Oversight of Non-Federal Auditors	MWR	NER SER SWR GPR WR	800
REA	The Use and Effectiveness of REA Field Accountants	MWR	SER SWR WR	500
REA	Non-Act Activities of REA Telephone Loan Borrowers	SER		150
			TOTAL STAFF DAYS	3700
SCS	SCS - Evaluation of Field Office Operations	MWR		100
			TOTAL STAFF DAYS	100



## **THE OIG HOTLINE**

The Inspector General Act of 1978 requires the Inspector General to conduct and supervise audits and investigations relating to programs and operations of the Department of Agriculture. The Act specifically addresses employee complaints in that it states:

“The Inspector General may receive and investigate complaints or information from an employee of the establishment concerning the possible existence of an activity constituting a violation of law, rules, or regulations, or mismanagement, gross waste of funds, abuse of authority or a substantial and specific danger to the public health and safety.”

Such employees are given special protection:

“The Inspector General shall not, after receipt of a complaint or information from an employee, disclose the identity of the employee without the consent of the employee, unless the Inspector General determines such disclosure is unavoidable during the course of the investigation” and

“Any employee who has authority to take, recommend or approve any personnel action, shall not, with respect to such authority, take or threaten to take any action against any employee as a reprisal for making a complaint or disclosing information to an Inspector General, unless the complaint was made or the information disclosed with the knowledge that it was false or with willful disregard for its truth or falsity.”

### **MONETARY AWARDS TO ENCOURAGE U.S. EMPLOYEES TO DISCLOSE FRAUD, WASTE AND ABUSE IN FEDERAL GOVERNMENT PROGRAMS**

Section 1703 of the Omnibus Budget Reconciliation Act of 1981, Public Law 97-35 as amended by Section 1225(b) of Public Law 99-145, is designed to encourage U.S. Government employees to disclose fraud, waste, and abuse in Federal programs to Offices of Inspector General. The law authorizes Inspectors General to award up to \$10,000 to U.S. Government employees for submitting Whistleblower complaints which result in substantial savings to the Federal Government.

In FY 1988, the USDA Inspector General announced the first USDA award of \$10,000 to an employee. The employee requested to remain anonymous and, in accordance with the law, OIG and Departmental officials have honored the request.

### **USDA/OIG HOTLINE NUMBERS**

The OIG has established two Hotline numbers for the use of the public and Department employees. These numbers are:

800-424-9121 - This is a toll free number to be used outside Washington, D.C.

472-1388 - This number is to be used inside the Washington, D.C. metropolitan area.

In addition, the Food Safety and Inspection Service has established a FSIS Hotline number for questions or problems with meat or poultry products. These numbers are 800-535-4555 (toll free) outside Washington, D.C. and 447-3333 within the Washington, D.C. metropolitan area.







